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The BUSINESS HISTORY REVIEW

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Are Business History and Economic Theory Compatible?[1]

The pragmatic approach adopted by business historians has inhibited utilization of their findings for theoretical purposes. Economic theory, at the same time, has hitherto provided no apparatus for attacking a whole range of problems deemed vital by historians today. The consequent breach between business history and economic theory, however, may be bridged by the development of new theoretical tools. Linear programming, statistical decision theory, and the theory of games are examples of arenas where the skills and interests of historian and theorist can converge.

A brief and accurate reply to the question posed in the title of this paper, "Are Business History and Economic Theory Compatible?" is "Certainly." They have nothing to do with each other and, accordingly, are just as compatible as any two unrelated objects such as snapdragons and ginger snaps. Or perhaps I should enshroud this categorical assertion with a scholarly hedge and say, rather, that any contact between the two subjects has been as accidental and unintended as contact between the gooney bird and our Navy bombers.

Business history and economic theory have developed along quite unrelated lines in the past. There has been little overlap of subject matter, findings, or methods. But to recognize that in this trivial sense economic theory and business history are compatible is to raise two questions which are not trivial and which do merit our attention. On the one hand, why has there been so little contact between two groups each of which is endeavoring to explain essentially the same set of facts? And on the other hand, is this a necessary condition, or is it possible that workers in the two fields might communicate with mutual profit?

[1] I wish to thank W. C. Scoville, J. F. Weston and W. R. Allen, who read an early draft of this paper and offered useful comments. Any inadequacies which remain are, of course, my responsibility. A shorter version of this paper was read at the 1955 annual meeting of the Mississippi Valley Historical Association in St. Louis.

In discussing these two questions in this paper, I shall try to show (1) why business history and economic theory have been so isolated from each other until now; and (2) that recent theoretical developments promise to provide a basis for useful contact between business historians and economic theorists in the future.

* * * * * *

It is not obvious that business history and economic theory should have had so little contact. They both direct much of their attention to the same aspect of life, the economic activity of the firm and the individual entrepreneur.[2] Economic theory has asked how a firm should best allocate its resources so as to maximize profits. Business historians also have addressed their attention to the economic activity of the firm, concentrating on the administration of the firm, on the story of "policy, management, and control that go into the production of goods and services." [3] There is nothing in this which gives any hint of the complete divergence of the two subjects existing in practice. It is natural to wonder why they have evolved into such different things.

Looking first at business history, we find that the business historian has interpreted his task to mean that he should attempt to reconstruct the past behavior of the firm in rich detail and full complexity. The content of a business history is determined by the nature of the particular firm and the extent of the internal business records which happen to be available; but there do seem to be some common characteristics in the way these materials are fashioned into a connected story.

One set of questions turns on various aspects of organization and control in the firm.[4] The historian notes the legal framework of the firm and inquires into the location of actual and nominal control;

[2] This does not imply, of course, that the subjects which interest one discipline exhaust the interests of the other. The economist, for example, is concerned with macroeconomic problems in which the particular institutional form of business units may be irrelevant. I am discussing the lack of contact between economic theory and business history, however, in studying the same set of facts dealing with the individual firm or entrepreneur.

[3] N. S. B. Gras, "Are You Writing a Business History?" *Bulletin of the Business Historical Society*, XVIII (Oct., 1944), 73. This definition of business history as the record of managerial policies regarding the administration and control of a firm recurs consistently in the writings of Professors Gras and Larson. *Cf.* N. S. B. Gras and Henrietta M. Larson, *Casebook in American Business History* (New York, 1939), pp. v, 3, *et passim.*

[4] These topics are set forth in a more detailed outline in N. S. B. Gras, "Are You Writing a Business History?" *loc. cit.*, pp. 73–110.

he searches for patterns of informal control which often are more revealing than the formal lines of authority shown in the organization chart; and he looks at the methods and sources of managerial recruitment.

In a second group of questions, the business historian investigates the line and staff organization in greater detail. He describes the technical methods at each stage of production, records any changes in techniques, and discusses the major difficulties at each stage of production, selling, and finance. Turning to the staff organization, he may use several chapters to describe various departments within the company which handle accounting, research, personnel and public relations. Here, of course, he often finds the key to significant conflicts within the ranks of management itself.

Finally, there are a series of topics which relate the firm to its external environment. The significance of events in the industry, market, or economy in which a firm finds itself varies with the nature of that firm; but there are few firms which are not seriously affected by major calamities – accidents, wars, and depressions. These are introduced in so far as they are thought to be essential for an understanding of the past history of the firm.[5]

In practice, this approach to business history reveals in detail both the crucial and the routine business decisions in the life of a firm. When one looks at the box of tools which the economist has devised, it is not really surprising that the business historian has found an embarrassingly modest use for most of them in presenting his findings.[6] What is not so obvious is that there is little transfer from one business history to another. As I look at the publications sponsored by the Harvard group of business historians, for example, it strikes me that they are very able, competent, and scholarly descriptions of particular firms and individuals.[7] The exhaustive description tends to become the biography of an individual person or managerial group on the one hand or, as is more often the case, a portrait of one firm over its life span up to some particular date. Each work is largely self-contained and independent of any other works in the field.

[5] Two volumes in the Harvard Studies in Business History illustrate the difference in degree to which external influences can affect a firm: Thomas R. Navin, *The Whitin Machine Works Since 1831* (Cambridge, Mass., 1950); and Ralph W. Hidy, *The House of Baring in American Trade and Finance* (Cambridge, Mass., 1949).

[6] Nor is it surprising that the tools are not useful for, as I try to show below, they were fashioned to handle a different kind of problem.

[7] N. S. B. Gras and Henrietta M. Larson, eds., Harvard Studies in Business History.

Let me elaborate that statement. There is, it is true, a common use of the descriptive labels which Professor Gras proposed as a convenient nomenclature for distinguishing successive stages of capitalism; [8] there is an agreement that administration lies at the center of and is a necessary prerequisite to comprehending the economic behavior of firms; and there is a common belief that this understanding is advanced by writing business history on the basis of internal records and an intimate knowledge of individual business units. But the narrative of each record is independent of its predecessors in the sense that it does not use previous findings to formulate new questions nor does the nature of the narrative itself produce generalizations which can be used in that fashion by other historians.

This observation is not a criticism. It is only a recognition that business history has no common theoretical foundation and cannot aspire to build a cumulative structure of findings.[9] Aside from the most general techniques, each writer must start afresh, pose the questions which interest him as he sorts through the records, and answer them in his own manner.

Now let us look for a minute at the other side of the picture. Have business historians simply been obtuse in neglecting to make use of the tools of the economist? Hardly. The business historian has had no alternative but to ignore most of those tools because they are useless for handling the majority of his problems. Let us see why this is so.

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Alfred Marshall's definition of economics as the study of how man gets a living implied a much more narrow set of problems for theoretical analysis than the breadth of the definition might suggest. In practice, the theoretical problem regarding the firm has been to prescribe how the individual entrepreneur can adjust production so as to maximize his net income. The problem of the firm has long meant essentially profit maximization by selecting a best

[8] N. S. B. Gras, *Business and Capitalism* (New York, 1939).

[9] After listing some possible types of business history, Professor Cole notes that, ". . . I am doubtful whether business history can advantageously proceed to more general or broader summaries. Of what would a regional, an industrial, or a national business history consist? On what central thread or group of threads would such a history be hung?" Arthur H. Cole, "Business History and Economic History," *Journal of Economic History* (Supplement: Tasks of Economic History, Dec., 1945), p. 47. For a more optimistic expression, see Henrietta M. Larson, "Business History: Retrospect and Prospect," *Bulletin of the Business Historical Society*, XX (Dec., 1947), 173–99.

position from among an infinite number of possible outputs subject to *given* market, cost, and technological conditions.

The resulting analytical structure is rather impressive and extremely useful for many problems. It can, for example, provide insight into the implications of different market structures. It enables us to grasp the relative importance of major components in the cost structure of the firm, to understand the underlying demand factors, and to analyze the desirability of alternative locations. In connection with each of these aspects of the individual business unit, there does exist a body of economic theory which, when adequately understood and properly used, can lend coherence and meaning to the questions asked and the evidence marshalled by the business historian.[10]

But what economic theory has not done is to concern itself with precisely those aspects of the firm which most interest a business historian. The economic theory of the firm has not been devised to analyze such matters as innovation, communication and control, or the play of managerial strategies; and this in large measure explains why the tools of economic analysis have not been employed more widely by business historians. It is perhaps a curious paradox that the theoretical analysis of how man gets a living has liquidated the entrepreneur; but it is understandable. Economists simply have had no tools with which to attack these problems which interest business historians. They have concentrated on different kinds of problems and left the business historian to cope in his own way with the fascinating subject of innovation, administration, and control in the firm.

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So much for some of the past developments in the two unrelated fields. A business historian must sometimes resent the fact that the economist does not provide him with tools of analysis which can lighten his task in studying the range of subjects which interest him. And as an economist, I can testify to my own disappointment

[10] Arthur H. Cole, "Business and Economic History," *loc. cit.*, pp. 51–53, presents "An Outline of Topics Pertinent to Company Histories" which is oriented toward economic history and the kinds of questions which can be handled by traditional economic theory. Thomas C. Cochran discusses this subject in "The Economics in a Business History," *Journal of Economic History* (Supplement: Tasks of Economic History, Dec., 1945), pp. 54–65; and in *The Pabst Brewing Company* (New York, 1948), Professor Cochran offers an example of how economic theory can serve as a useful framework within which to analyze such factors as location, demand conditions, cost structures, and the effect of the market on pricing policies and sales activities.

with most business histories in that, while interesting, they have little perceptible relation to my own work. I think that some dissatisfaction is justified, too, for we both profess to be concerned with the same facts, albeit two different aspects of those facts. There are encouraging signs, however, that recent theoretical developments presage an end to this state of affairs. Specifically, there now seems to be a possibility that economic theorists can provide concepts which will be valuable in writing business history and, conversely, that the findings of business history can assist theorists in choosing more fertile premises on which to build new theoretical structures.

Just as Keynes' *General Theory* provoked a fresh study of short-run macroeconomic problems and stimulated economic historians to employ new concepts in their own work, I suspect that an equally fundamental reorientation of economic thinking is under way at this moment. The *General Theory* arose from the specific context of the depression of the 1930's and suggested new analytical concepts and fresh hypotheses for dealing with the depression. Similarly, some very acute problems of World War II provoked fundamental theoretical work which now is beginning to pay off in new techniques and concepts which should interest all business historians. This work is not yet known as widely as it should be because it is masked behind rather sophisticated mathematics which obscures it for most of us. The mathematical economists who could translate their work for us are much too involved with communicating among themselves to tarry with us more pedestrian curve benders. Although we may sympathize with the recent plaintive request of the *Economic Journal* that contributors translate their dance of signs and symbols into literary sense, we can also appreciate the impatience of theorists who are making new discoveries month by month to do so.[11] Let me see if I can illustrate how these new theoretical approaches can tie in with business history. I shall use three illustrations: linear programming, statistical decision theory, and the theory of games. Each of these, you may be surprised to learn, has something to say to business historians.

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Linear programming is the rather inapt name of a reformulation of the traditional view of the firm so as to ask a different kind of question. Rather than trying to maximize output with a given technical setup by combining inputs in varying proportions, depending

[11] "Notice by the Editors," *Economic Journal*, LXIV (March, 1954), 1–2.

on their relative prices, the problem of linear programming is how best to use *given* resources, *at least one of which is available only in limited amounts*, so as to maximize output by using one or more alternative production processes.[12] Note the change. Although economic resources in the aggregate are, by definition, limited, the older formulation of the problem conceived of all inputs as being available in relatively unlimited quantities as far as the individual firm was concerned.[13] In reviewing the activity of a firm during wartime or embargo, the historian often finds that this assumption is not very useful.[14] Now we are presented with a different assumption, one which recognizes that, for all practical purposes, some factors just are not available in unlimited quantity.

A second difference lies in the former assumption of the possibility of varying the proportion of factors in infinitely small steps. While it is reasonable to assume that there may be a tendency to substitute, say, capital-intensive methods for labor-intensive processes if labor is an especially high-cost factor,[15] this assumption seems to square with history much better when we talk about large sectors of an economy than it does when we try to understand the historical course of any particular firm or individual. Now we are offered an alternative way of handling those cases in which factors must be used in fixed proportions in any one process. This should immediately strike a business historian as more "realistic."[16] Anyone who has looked at cost figures for a machine shop, foundry, or factory can see that the assumption that, for a given machine which is designed for one operator, the possibility of using 1.1, 1.11, or

[12] At some formal level of analysis, this distinction becomes blurred. It is logically possible to derive any results which are obtained from a linear programming formulation by a proper reformulation of the problem in terms of more traditional techniques. The new techniques, accordingly, are not *intrinsically* superior to existing theory; but they are more amenable to use by business historians in investigating the kinds of issues which interest them.

[13] Perhaps they are available only at higher prices, but that does not affect the issue.

[14] This is one very practical stimulus which persuades firms to convert to war production. *Cf.* Navin, *op.cit.*, regarding the wartime problems of the Whitin Machine Works.

[15] Warren C. Scoville, "Did Colonial Farmers 'Waste' Our Land," *Southern Economic Journal*, XX (Oct., 1953), 178–81; Robert E. Baldwin, "Some Theoretical Aspects of Economic Development," *Journal of Economic History*, XIV (1954), 343–45; Erwin Rothbarth, "Causes of the Superior Efficiency of U.S.A. Industry as Compared with British Industry," *Economic Journal*, LVI (Sept., 1946), 383–90.

[16] This does not mean that conceptual realism is necessarily a *theoretical* virtue. I only assert that it is an inestimable advantage for the historian who wants to use theory.

1.111 operators requires, in most cases, a rather strained interpretation.

The corollary of using production processes which employ factors in fixed proportions is that, if there is a determining change in relative factor prices, any change which occurs will be a jump to a different process which uses these factors in different proportions. That means that we have here a method for analyzing discrete changes rather than marginal and continuous changes. Even if this were not attractive on any other ground, it should appeal to historians who, regardless of the wealth of material at hand, can seldom hope to trace marginal variations from the historical records of a firm. We can, on the other hand, confidently search for evidence that discrete changes have occurred. Indeed, this is the nature of our historical records.

One more remark. The method of solving a linear programming problem, once it has been set up, is quite suggestive to a historian. The logic of the mathematics is essentially the same kind of reasoning which we know in history.[17] There are a countable number of possible solutions or outcomes, and the mathematical calculations are nothing more than an efficient trial-and-error method of finding a best solution if it exists.[18] Each step of the calculation shows you whether to continue trying for a solution or to give up; and if you are to try for a better solution, it tells you the nature or direction of change which should be tried. Does this have a familiar ring? It is paralleled time and again in business history. It is the story of management struggling with a problem, trying to cope with changing conditions and unfavorable developments. The effort to introduce a new method, alter personnel policies, or, in any of innumerable ways to keep a firm growing and prosperous, can be viewed as a sort of intelligent trial-and-error search for better solutions in which the evaluation of each new process or position serves as a guide to further change.

In the new model of linear programming, there is a means of selecting the best combination from among a specified finite number of processes. In the case of the businessman, much of his activity might profitably be interpreted in these terms but with two

[17] A. Charnes, W. W. Cooper, and A. Henderson, *An Introduction to Linear Programming* (New York, 1953); Robert Dorfman, "Mathematical, or 'Linear,' Programming," *American Economic Review*, XLIII, Part I (Dec., 1953), 797-825.

[18] Wroe Alderson, "Operations Research and Management Problems," *Proceedings of Operations Research Conference*, Society for Advancement of Management (New York, 1954), p. 4.

additional precautions. The business historian also must be alert to changes in the external environment of the firm,[19] for conditions which generate pressures on the firm may abate before management decides upon a new course of action.[20] On the other hand, a second point to which business historians might direct their attention with profit is the possibility of incorporating new processes among the possible alternative processes from which the entrepreneur considers making a choice.

I do not expect historians to become experts in linear programming – that would be an uneconomical perversion of the potential advantages of specialization. What I am suggesting is that here is a new approach to the economic theory of the firm which provides concepts that should be useful in studying the history of particular firms. While it is not necessary that historians be skilled in manipulative techniques, they should be aware of the general nature of the new technique – the concepts it employs, the approach it uses, and the kinds of questions which it can answer. Since it is a method of analysis which has been devised especially to answer managerial problems of a type which occur repeatedly in business histories, it is not surprising that it should provide concepts which are useful to business historians. As one economist puts it, "In philosophy it [linear programming] is insistently practical. Its concepts have been defined with an eye to statistical and engineering measurement, its problem is formulated so as to be a simplified parallel to the problem of the entrepreneur or economic policy maker. . . ."[21] Is it any wonder that this approach should interest business historians? Here is a technique for analyzing managerial problems, a technique which employs concepts which have measurable and identifiable counterparts in historical records.

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Statistical decision theory is a label which is used for a collection of new methods and a regrouping of older statistical methods for new uses.[22] Professor Heaton recently raised a needed admonition

[19] Namely, conditions over which the individual entrepreneur has no control and to which he must adapt his operations.

[20] Donald E. Stout, "A Pressure Theory of Innovations," *Explorations in Entrepreneurial History*, VII, No. 2, pp. 61–78.

[21] Robert Dorfman, *Application of Linear Programming to the Theory of the Firm* (Berkeley, 1951), p. 94.

[22] Irwin D. J. Bross, *Design for Decision* (New York, 1953), is a readable introduction to the ideas of statistical decision theory. He also discusses the

against the temptation to make spuriously exact calculations with original data of dubious validity.[23] It is probably true that economic historians often have been so enthusiastic about counting objects that their energies have been exhausted before they began to interpret the possible meaning of the material. I am disturbed by another element which often appears in historical work. I never feel comfortable when I am confronted with material where scholars seem to say, in effect: (1) Here are the data; (2) for the following reasons the figures are meaningless; but (3) we must use them because they are the best we have. This sort of reasoning bothers me. Questionable data just do not yield to very sophisticated statistical manipulations. It would be preferable to recognize that some situations simply preclude statistical treatment and, in these cases, to rely primarily on the intuitive feel and artistry which distinguish the writings of a great historian.

In short, the historian must face up to the question of whether his exposition really benefits from statistical materials. In business history and in economic history, this is the problem of making meaningful statements from processed data. By 1900, statisticians had provided us with techniques for summarizing information and for making inferences from a sample about the characteristics of a large population.[24] These two types of statistical techniques, of making summary statements which characterize a body of data and of making inferences from a sample, have been of great use in studying the economic past; but both, as Professor Heaton recently admonished, have been gravely misused also.

The next step in statistical development, however, is the one which promises to be especially important for business historians. This is the group of techniques gathered under the label of statistical decision theory. Statistical decision theory furnishes concepts which relate in a peculiarly intimate way to the interests of business historians. It goes beyond the problem of making meaningful and correct statements and tries to furnish criteria for choosing a course of action. In doing this, information about costs becomes vital, for to make a correct decision, one must "trace the consequences of each possible course of action. This involves not only *prediction* of sub-

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subject in "Looking Around," *Harvard Business Review*, XXXII (Sept.–Oct., 1954), 133–44.

[23] Herbert Heaton, "Clio's New Overalls," *Canadian Journal of Economics and Political Science*, XX (Nov., 1954), 467–77.

[24] For an illustration of one of these techniques, see Ernst Kneisel's research note, "The Evolution of the English Corn Market," *Journal of Economic History*, XIV (Winter, 1954), 46–52.

sequent events but also consideration of the resulting gains and losses. . . ."[25]

The approach of decision theory is the approach of the business historian to an astonishing degree. The business historian tries to document and interpret, or evaluate the wisdom of, the past decisions of a firm or of an individual. The task is a challenge because it is so difficult. Individuals are complex and the attempt to reconstruct, let alone to evaluate, the performance of an entrepreneur must be done with artful caution. But when that has been acknowledged, and partly because of the very difficulty of the job, it seems to me that historians will welcome any new techniques which can lighten their work by providing a systematic approach to part of their problem. Equally important, of course, is the gain in making possible the accumulation of a body of evidence regarding the criteria of managerial decisions. This promises to allow us to *compare* the decisions of individual entrepreneurs at different times and places. And this brings me to the third group of new developments, those connected with the theory of games. It is here that I think that business historians can make a unique and important contribution to the work of the theorist.

* * * * * *

The theory of games marked an important theoretical advance.[26] As in the case of many works, its most important contribution probably has been to provoke an extensive amount of new theoretical and empirical studies which have tried to extend, test, and judge the power of the new concepts. One effect has been to demonstrate that there is an unsuspected unity among the new techniques which I have been discussing in this paper. Indeed, I could have discussed all three of these topics as subheadings under any one of them. But each does relate to a *different* aspect of the problem. In game theory, the new element is the concept of strategy and the ineluctable uncertainty which characterizes most business decisions. Strategy and uncertainty are among the most pressing issues confronting entrepreneurs, and the business historian has implicitly utilized these concepts for a long time in his effort to understand the entrepreneur. These concepts now have entered into the formal apparatus of the theorist.

[25] Bross, "Looking Around," *loc. cit.*, p. 134.

[26] John Von Neumann and Oskar Morgenstern, *Theory of Games and Economic Behavior* (Princeton, 1944).

These, then, are some of the signs which indicate that the economic theorist increasingly is looking into the kinds of problems which concern business historians. Before leaving the subject, let me illustrate briefly how business history can make a valuable contribution to the work of the theorist.

When an entrepreneur has to make a decision, he is uncertain about the outcome of alternative courses of action. The principal information at hand is the record of past experience. This is precisely the formulation of a statistical decision problem.[27] The theorist reasons that an entrepreneur faces the possibility of incurring two kinds of loss. He may experience a loss because he fails to do something and thereby foregoes possible gains, or he may incur losses from deciding upon a course of action when he should have made no alteration in the conduct of his affairs. These two possibilities exist for each of any number of possible courses of action. The principle of action which is generally employed by the theorist is that the entrepreneur should act so as to maximize the chance that if he incurs a loss, that loss will be as small as possible. Notice what has happened. Rather than a categorical assumption that the entrepreneur will strive for maximum profits, we now have a technique which is more adaptable to historical research because it allows for a much more plausible range of action, uncertainty, and doubt. I suspect that a systematic investigation of business records would show that the application of this principle of action *is* in accord with managerial behavior in many instances. It should, for one thing, throw light on the reluctance of management to make radical changes in a successful business which a historian so often notes.

The substitution of a principle of maximizing the probability of incurring a minimum loss is a welcome addition, but why stop there? In a sense, this principle would seem to reveal a cautious or even pessimistic attitude. What about those exuberant spirits who have complete confidence in their own ability and who stake their all on a single venture? The bold Schumpeterian innovator might better be characterized as an entrepreneur who, in the face of uncertainty, acts so as to maximize the chance that his gain will be a maximum. He stakes everything on one trial. Or, again, what about the large concern with a nonowner professional management. Here the appropriate rule of conduct may turn out to be that the professional manager act so as to minimize the chance that a maximum loss

[27] For example, see R. Clay Sprowls, "Statistical Decisions by the Method of Minimum Risk: An Application," *Journal of the American Statistical Association*, Vol. 45 (June, 1950), 238–48.

would be incurred. The apparent interest in insuring continuity of the firm would seem to be quite appropriate in line with such a principle.

Nor does this exhaust the list of possible rules of behavior. The encouraging point for business historians is that rules of behavior which accord to actually identifiable entrepreneurial behavior can now be handled theoretically. But there is something more. It seems to me that the implication of all this is that there is no observable entrepreneurial decision which could not be imputed to some rule of action according to which the decision would prove to have been the best decision. And in my own mind, it seems that the clear implication of this is that the scholar's principle of action should be to go see what has happened – which is what you knew and suspected all along. Then perhaps we can look forward to discoveries which will lend new insight from the *cumulative* observations of past business behavior. We may be able to document, for example, changing entrepreneurial attitudes toward innovation; and surely we can begin to talk to theorists by suggesting which rules seem to be most fruitful. Who knows: We may even find that the theorist will begin to welcome such "visitations." For one thing is clear: the immediate problems of the theorist and of the business historian finally have converged. A failure to recognize this and to benefit from it will unnecessarily delay further advance.

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The Electric Vehicle Company: A Monopoly that Missed[1]

¶ Attempts to monopolize the automobile industry began early in its history but were never successful because the industry possessed characteristics which made monopolization exceptionally difficult. The first of these efforts provides an illuminating example of business failure resulting from avoidable errors of judgment. The Electric Vehicle Company began its operations on the assumption that the electric automobile was going to be the dominant type; when this became demonstrably a bad guess, the company tried to compensate by using the Selden patent to collect royalties from the manufacturers of gasoline automobiles. This scheme likewise misfired, and the company collapsed into bankruptcy. The scheme also brought disaster to the Pope Manufacturing Company of Hartford, Connecticut, which abandoned a very promising position of leadership in the automobile field in order to participate in a highly speculative enterprise.

Since the automobile industry was born during the era of the great trusts, it was inevitable that the prospect of monopolizing this promising new area of enterprise should be explored early in its history. As a matter of fact, the attempt with which this paper is concerned was made almost before there was an industry to work on. In some fields this prompt start might have been an advantage, but it seems to have been the fate of the Electric Vehicle Company to be consistently unfortunate in everything it did. To begin with, when the company was organized the technical future of the horseless carriage was quite uncertain; no one could say with assurance whether steam, electricity, or the internal combustion engine would prove to be the most acceptable substitute for the horse. Moreover, in those early years of the automobile industry, it was extremely easy for new firms to enter the field, since production called for comparatively modest resources in capital and equipment, while the

[1] The material on which this article is based was collected in the course of a larger study of the engineer in business, for which I have received grants from the Research Center in Entrepreneurial History at Harvard, the School of Industrial Management at MIT, and the Social Science Research Council.

demand for cars was mounting so rapidly that the newcomer could be reasonably sure of finding a market.[2]

It would be difficult to envisage a less promising situation for the would-be monopolist. A combination of unusual technological and business foresight, ability to control basic processes by patent or otherwise, and a substantial dose of good luck was needed to dominate the automobile industry. The Electric Vehicle Company proved to be singularly deficient in all these attributes.

The company's career can be divided into three principal stages. First, it tried to monopolize the electric automobile, beginning with the production and operation of electric taxicabs. Secondly, when it became evident that this enterprise was doomed to failure because the automobile field was going to be dominated by the gasoline rather than the electric car, the company fell back on its possession of the Selden patent, endeavoring to maintain its solvency by collecting royalties from the manufacturers of gasoline automobiles. This effort also failed. The majority of the manufacturers organized and outmaneuvered the Electric Vehicle Company for control of the issuing of licenses under the patent, while a minority, led by Henry Ford, refused to acknowledge the validity of the patent at all. Finally, the company slipped into the bankruptcy which seems to have been foreordained for it, and attempts to salvage something from the wreckage likewise turned out to be calamitous.

The company, therefore, affords an illuminating example of business failure. It was not the kind of small-scale failure which was so common in the infancy of the automobile industry, nor was it a case of audacity coming to grief because of adverse and uncontrollable circumstances. The history of the company is one of almost unbroken errors of judgment, most of them, on the face of the evidence, avoidable.

The Organization of the Company

The inception of this enterprise dates back to 1896, when Henry G. Morris and Pedro G. Salom founded the Electric Carriage and Wagon Company, which began to operate electrically driven taxicabs in New York City early in 1897.[3] At about the same time, the

[2] There is a thorough study of this feature of the automobile industry in Harold G. Vatter, "Closure of Entry in the Automobile Industry," *Oxford Economic Papers*, New Series, Vol. IV, no. 3 (Oct., 1952), 213–34.

[3] William Greenleaf, "The Selden Patent Suit" (Ms. Ph.D. Thesis, Columbia University, 1955), p. 117. The copy of this thesis which I used is in the Ford Motor Company Archives, Dearborn, Michigan. It contains a very thorough

concern was bought by Isaac L. Rice, president of the Electric Storage Battery Company of Philadelphia, and reincorporated (27 September 1897) as the Electric Vehicle Company.[4] Rice, whose company held Charles F. Brush's patent on lead storage batteries, saw in the electric taxicab business a desirable affiliation for his own concern. From the outset, therefore, the Electric Vehicle Company was tinged with the passion for combination which affected so many of the businessmen of this period.

In the course of a year Rice expanded the taxicab fleet from the thirteen with which Morris and Salom had started to about a hundred. This apparent success, which was probably due more to the novelty of the vehicles than to their efficiency, attracted the attention of a group of electric traction magnates led by William C. Whitney and including P. A. B. Widener, Anthony N. Brady, and Thomas F. Ryan.[5] Since they were already experienced in the art of merger and stock manipulation, it was natural enough for these men to decide that electric taxicabs offered a useful adjunct to their traction interests, particularly with the battery patent offering monopolistic possibilities. At any rate, they bought both the Electric Vehicle Company and the Electric Storage Battery Company at a handsome profit to Rice[6] and launched an ambitious scheme for organizing taxicab companies in all the principal cities of the United States. As part of the project Whitney approached the Pope Manufacturing Company of Hartford, Connecticut, ostensibly to arrange for manufacture of the considerable number of taxicabs that would be required. This concern, the maker of the Columbia bicycle, was the largest producer of bicycles in the United States and since 1895 had been developing both electric and gasoline-powered road vehicles under the supervision of Hiram P. Maxim.

In the course of the negotiations Whitney unfolded to the Pope officials a dazzling proposal for a merging of their firm with the New York organization to monopolize the electric vehicle field. Quite obviously, this was no inspiration of the moment; the outlines of the scheme must have been worked out by the New York syndicate before Whitney went to Hartford. Presumably he was to present it if conditions appeared favorable – as they were. To begin with,

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description of the founding of the Electric Vehicle Company, and is the basis for the somewhat briefer account in Allan Nevins, *Ford: The Times, the Man, the Company* (New York, 1954), pp. 284 ff.

[4] Greenleaf, "The Selden Patent Suit," p. 118.

[5] *Automobile Trade Journal*, XXIX, No. 6 (Silver Anniversary Issue, 1924), 286.

[6] Greenleaf, "The Selden Patent Suit," p. 122.

since the bicycle boom of the 1890's was declining, the Pope company was more than willing to expand its motor carriage business;[7] secondly, with Maxim as a vigorous dissenter, the officials of the company were inclined to favor the electric over the gasoline vehicle;[8] and finally the Pope management was every bit as monopoly-minded as Whitney and his associates. The owners of the concern, Albert A. and George Pope, had built their fortune in part by acquiring bicycle patents and collecting a royalty of $10 on every bicycle manufactured in the United States[9] – with one exception to be noted later.

Whitney's proposal was therefore accepted, and the combine was formed early in 1899. Its corporate structure was complex. A new company, the Columbia Automobile Company, took over the Pope motor carriage department and was then merged with the Electric Vehicle Company and the Electric Storage Battery Company under the name of the Columbia and Electric Vehicle Company.[10] Shortly afterward the Electric Vehicle Company was reorganized as a holding company for the projected operating concerns in the various cities, and in 1900 the relationship of parent and subsidiary was reversed when the Electric Vehicle Company took control of the Columbia organization.[11] The combine, whose president was George H. Day, vice president of the Pope Manufacturing Company, also acquired several smaller firms making electric automobiles, so that it enjoyed for the time being almost complete control of the production of this type of vehicle.

The bicycle end of the Pope business was reconstituted as the Hartford Cycle Company, which in turn became part of the American Bicycle Company, a merger of some twenty firms engineered by the Pope cousins late in 1899.[12] American Bicycle ran into a declining market and went into receivership in 1902. In the meantime, however, some of the affiliates had begun to make automobiles, mainly gasoline but including one electric model, and these

[7] Nevins, *Ford*, p. 288.

[8] Hiram P. Maxim, *Horseless Carriage Days* (New York, 1937), pp. 129–30.

[9] H. O. Duncan, *The World on Wheels* (Paris, France, 1926), p. 915; *Automobile Trade Journal*, XXIX, No. 6, 286.

[10] Maxim, *Horseless Carriage Days*, p. 165.

[11] Greenleaf, "The Selden Patent Suit," p. 143.

[12] This reorganization is described in *Columbia Motor Car Co. and G. B. Selden vs. C. A. Duerr and Co. and Ford Motor Co.* (U.S. Circuit Court of Appeals for the Second District, Transcript of Record, Vol. 3, p. 1086), and in Herman F. Cuntz, "Pope Mfg. Co., Columbia Automobile Co., and the Electric Vehicle Co." (Ms. account dated June, 1947, in the Henry Cave Collection, Detroit Public Library).

operations were continued under the name of the International Motor Car Company, later changed to the Pope Motor Car Company, with its principal factories located at Toledo and Indianapolis. Shortly after the receivership Colonel Albert Pope decided that the unused capacity of the Hartford bicycle plant should also be devoted to automobile production, the result being that the Pope Manufacturing Company was reincarnated in 1903 as a New Jersey corporation to consolidate the Pope Motor Car Company and the remaining assets of the American Bicycle Company, including the manufacturing facilities at Hartford. The Pope organization thus preserved its identity, but somewhere in this corporate labyrinth it lost its financial stability.

It is, indeed, a striking illustration of the obsession for merger which permeated the contemporary business atmosphere that men as able as Pope and Day should have tied a successful going concern to an enterprise which was at best a technological and commercial gamble and was related only in part to the activity of their company. To the extent that it was aimed at dominating the manufacture and operation of electric automobiles, the Electric Vehicle Company was founded on an error of judgment. It had put its money on the wrong horse – or, to be more accurate, the wrong horseless carriage. The error was pardonable enough in 1899, since it was not until after the turn of the century that the gasoline car began to pull clearly ahead of its rivals, but it was nonetheless avoidable. Only two years before, Thomas A. Edison had stated in an interview that the horseless carriage would most likely be run by a gasoline or naphtha motor, unless a new and more economical electric storage battery should be discovered.[13]

There is another possibility which must be considered in view of the record of Whitney, Widener, and the others in the traction business, namely, that they were far less interested in making and operating automobiles than in developing a fresh opportunity for stock promotion. Maxim, a disapproving but immediate observer of the birth of the Electric Vehicle Company, has this to say: [14]

> The scheme was a very broad one, promising all manner of possibilities in the way of stock manipulation. Whether it was intended to develop profits out of earned dividends, or by unloading the stock on the public, I will not venture to guess. In those days of wild finance, unloading upon the public was very fashionable.

[13] This interview appeared in the New York *World* (17 Nov. 1895) and is quoted in Alexander Winton, "Get a Horse," *Saturday Evening Post*, Vol. 202, No. 32 (8 Feb. 1930), 39.

[14] Maxim, *Horseless Carriage Days*, p. 165.

In support of this thesis is the fact that, while Whitney's original proposal to the Pope firm contemplated a capitalization of $3,000,000, the Electric Vehicle Company issued over $20,000,000 worth of securities by 1902.[15] Had the organization been headed in the right direction, the substantial amount of water represented in this figure could have been absorbed, but monopolizing the wrong thing has never been an acceptable formula for business success. The hopes that had been entertained for the electric taxicab proved illusory. About two thousand were manufactured and placed in service in New York, Chicago, Philadelphia, Boston, and Washington, only to be driven from the streets by their gasoline-powered competitors.[16] By 1900 the company was in trouble, and its financial methods were being subjected to vigorous criticism. It had paid an 8 per cent dividend from capital in 1899, but in 1900 it was compelled to go to the banks for help and it floated a loan, under somewhat questionable circumstances, through the State Trust Company, which happened to be controlled by the Whitney syndicate.[17] It was also being referred to in the press as the "Lead Cab Trust." Clearly, if it was to survive, it would have to be by some means other than the operation of electric taxicabs.

The Selden Patent Fiasco

Despite their predilection for the electric automobile, the promoters of the Electric Vehicle Company were far too shrewd to ignore the possibility that the gasoline car might turn out to be the better prospect. To protect themselves against this eventuality, they acquired control of United States Patent No. 549,160, issued to George B. Selden, of Rochester, New York, on 5 November 1895. The story of Selden and his patent is familiar enough not to require detailed repetition here. He had filed his application in 1879, covering somewhat generally the basic features of a road vehicle propelled by a liquid hydrocarbon engine, and had managed to delay the issue of the patent itself until it had some prospect of commercial value. He had never actually built a vehicle conforming to his specifications.

[15] Lawrence H. Seltzer, *Financial History of the American Automobile Industry* (Boston, 1928), p. 25.

[16] Cuntz, "Pope Mfg. Co." (Cave Collection); Maxim, *Horseless Carriage Days*, pp. 165–66. The batteries in the electric taxis weighed about a ton and had to be changed after every trip.

[17] Greenleaf, "The Selden Patent Suit," p. 152. Mark D. Hirsch, *William C. Whitney. Modern Warwick* (New York, 1941), p. 554, defends Whitney's action in this matter.

This patent was spotted by Herman F. Cuntz, a mechanical engineer who had charge of the patent department of the Pope Manufacturing Company, and he promptly told Maxim that the production of gasoline carriages must be stopped at once.[18] Maxim merely laughed at him, on the ground that the vehicle described in the patent was completely impractical. Cuntz then took his story to Vice President Day and Hayden Eames (Maxim's immediate superior) but they for the time being did nothing, although they did get in touch with Selden, apparently when the latter approached the Pope concern in his search for a backer. So the matter rested until Whitney arrived to propose the Electric Vehicle scheme. During the negotiations, according to Cuntz, Whitney asked if there were any patents that might cause trouble, whereupon he (Cuntz) again produced Selden's claim. Maxim says simply that the growing importance of the gasoline vehicle eventually convinced Day and Eames that the patent might be worth looking into, but this decision coincided too closely with the organization of the Electric Vehicle Company to be purely fortuitous. At any rate, after further investigation of the soundness of Selden's claims, the Electric Vehicle Company bought the patent from him in November, 1899.[19] Selden received a cash payment and a fifth of the prospective royalties, but the precise nature of this arrangement is still obscure.[20]

There are, in fact, several parts of this story which are obviously incomplete. For example, if Whitney did raise the question of patents, was this merely a shot in the dark? It seems rather implausible that as skilled an operator as he was should have left such an important matter to a chance inquiry in Hartford when he could easily have found out all he wanted to know before he left New York. It is just as reasonable to assume that Whitney had already heard about the Selden patent and was trying to find out what men with experience in manufacturing motor carriages thought of it.[21]

[18] This description of the acquisition of the patent by the Electric Vehicle Company is taken from H. F. Cuntz, "Hartford the Birthplace of the Automobile Industry," *Hartford Times* (17 Sept. 1947), and from Maxim, *Horseless Carriage Days*, pp. 162–64.

[19] The decisive opinion was given by Mr. Dugald Clerk, a Scots engineer, who was then considered the world's leading authority on internal combustion engines. It should be borne in mind that the courts did uphold the validity of the Selden patent. Ford's victory consisted of a decision that the patent applied only to two-cycle engines and that he therefore had not infringed it.

[20] Nevins, *Ford*, p. 293. Apparently Selden had a deal with Day whereby the latter received half of his royalties.

[21] There is possible confirmation for this theory in Cuntz's story. He was sent to Rochester to interview Selden and was told that a group of unidentified New York financiers had been negotiating for purchase of the patent. Since

We may also speculate on what an organization built upon the electric automobile proposed to do with a patent on gasoline cars; to put it another way, when Whitney spoke of a patent "causing trouble," for whom was the trouble to be caused? This answer is obvious enough. Except in so far as the Pope Manufacturing Company was already engaged in the business, the Electric Vehicle combine did not intend to enter the gasoline automobile field,[22] but if it could levy toll on all those who did produce such cars, then it stood to gain regardless of which type of automobile won out.

As the first step in this direction suit was brought in 1900 against the Winton Motor Carriage Company of Cleveland, Ohio, then the largest maker of gasoline automobiles in the country, for infringement of the Selden patent. Winton lost the first round in the lower court and then, while an appeal was pending, he and his fellow manufacturers decided to change their tactics and negotiate with the Electric Vehicle Company. The impetus behind this movement came chiefly from Henry B. Joy of the Packard Motor Company and Frederic L. Smith of the Olds Motor Works, who saw in the situation an opportunity to organize the automobile manufacturers for what they hoped would be their mutual advantage.[23] They were prepared to fight the Electric Vehicle Company if necessary; they preferred, however, to come to an agreement with it if satisfactory terms could be reached. The proposals of the automobile men were accepted by the Electric Vehicle Company early in 1903. For our purposes their essential features were as follows: [24]

1. An organization, the Association of Licensed Automobile Manufacturers (A.L.A.M.) was created, whose members agreed to pay a royalty of 1¼ per cent on the catalogue price of each car manufactured under the Selden patent. (The Electric Vehicle Company had originally demanded a 5 per cent royalty.) Of this sum, three-

Selden had been trying for years to interest potential backers, his claims could easily have reached Whitney. See Cuntz, "Hartford the Birthplace of the Automobile Industry," *Hartford Times* (17 Sept. 1947).

[22] In 1900 the Electric Vehicle Company did begin the manufacture of a gasoline car, the Columbia. We have therefore the curious situation that in 1903 the reorganized Pope Manufacturing Company was competing with its own former motor carriage department.

[23] Greenleaf, "The Selden Patent Suit," p. 195. Joy confided to his associate, James W. Packard, that his hope was that something might be done, either under the Selden patent or by agreement, to curtail competition. (Letter, Joy to Packard, 9 March 1903; Henry B. Joy Papers, Michigan Historical Collections, University of Michigan.)

[24] The text of this agreement can be found in Ralph C. Epstein, *The Automobile Industry. Its Economic and Commercial Development* (Chicago, 1928), Appendix C.

fifths was to go to the Electric Vehicle Company while the remainder was kept by the A.L.A.M., to be used for expenses of litigation and for service to the industry in general.

2. An executive committee of five members of the A.L.A.M., one of whom was always to represent the Electric Vehicle Company, was given responsibility for deciding who should or should not be awarded licenses under the Selden patent. The board of managers of the A.L.A.M., consisting of one representative of each member company, could under specified conditions overrule the executive committee.

3. The executive committee also had the right to determine what suits were to be brought for patent infringement.

By 1904 some thirty automobile producers had signed this agreement, which shows a surprising willingness to yield on both sides. As far as the manufacturers are concerned, their motives become quite clear on a little examination. None of the automobile companies at this time was big enough to face the hazards and expense of a prolonged lawsuit, and there was much more to be gained by association. What the A.L.A.M. really intended to achieve has been stated frankly by its successor, the Automobile Manufacturers Association: [25]

> The Selden patent was studied by counsel and it was decided by a good many manufacturers that their best course would be to recognize it. A group was formed which made arrangements with Mr. Selden. . . . The principal activity of the group was the improvement of business practices of the trade.
>
> It was at a time when automobiles were being made by almost every large machine shop in New England. Competition was such that many were being made with inferior experience and possibly with inferior workmanship and material. The dissatisfaction experienced with such cars was affecting the reputation and progress of the good manufacturers. The Selden patent gave opportunity to exercise a certain amount of control and was therefore a highly desirable instrument.

This testimony is corroborated by Alexander Winton, who certainly was in a position to speak authoritatively on the founding of the A.L.A.M. His account states: [26]

> We had to pitch in and fight the wildcat automobile companies on the outside. It was difficult for the public to distinguish between the general and the ephemeral, and there are towns that can still point to windowless factories that

[25] Letter of G. C. Arvedson of Patent Dept., Automobile Manufacturers Association (3 March 1936), in Federal Trade Commission, *Report on the Motor Vehicle Industry*, 76th Congress, 1st Sess., House Document 468 (Washington, D.C., 1939), p. 43.

[26] Winton, "Get a Horse," *loc. cit.*, p. 144.

were built from the stock sold by glib promoters, but which never manufactured more than two or three cars. Orphan cars were numerous and always were a 100 per cent liability, because it was impossible to get replacements for broken parts. . . . Dishonest practices did much harm during years when support was most needed.

For a device which might eradicate these conditions and bring stability and order into the industry, a royalty of 1¼ per cent (later whittled down to .8 per cent) was hardly an excessive price, whatever reservations might be entertained, as some were, regarding the validity of Selden's claims.

Ultimately only two of the principal automobile manufacturers refused to fall in line. One was Henry Ford, who was denied a license in 1903 on the ground that he had not yet demonstrated his ability to make a commercially practical car. He then decided to ignore the A.L.A.M. and fought the Selden patent through a spectacular and eventually successful judicial battle. The other was Thomas L. Jeffery, manufacturer first of the Rambler bicycle and then of the Rambler automobile at Kenosha, Wisconsin.[27] With Jeffery, history was repeating itself. As the organizer of the second firm in the United States to manufacture bicycles, Jeffery had refused to acknowledge the patent claims of the Pope concern and had never paid any royalties; now that he had turned to automobiles and found his old adversary flaunting the Selden patent at him, he refused to recognize that patent too.[28]

The action of the Electric Vehicle Company in accepting the agreement with the A.L.A.M. is somewhat more puzzling, since it abandoned an apparently strong position without even token resistance. It surrendered control of the precious patent to a board on which it had only one member out of five, and it gave up two-fifths of its royalties to the A.L.A.M.[29] The explanation probably lies in the failure of the electric taxicab scheme. Since these vehicles proved to be money-losers, the company came to depend on its royalties to remain solvent; in other words, the tail had to wag the dog.

Consequently, the Electric Vehicle Company in 1903 was in no condition to face prolonged litigation on its own resources. As long as its claims were under adjudication, it would not be collecting royalties, and there was always the possibility that the Selden patent might not stand up in court. Joy, in fact, bluntly pointed out to Day

[27] This company was purchased in 1916 by Charles W. Nash.

[28] *Automobile Trade Journal*, XXIX, No. 6, 292.

[29] Selden's share of the royalties had to come from the Electric Vehicle Company's three-fifths.

that the automobile manufacturers were far more interested in their association than in the patent, and that the latter had value only in the hands of the association.[30] Otherwise, it would be so subject to endless lawsuits as to be worthless. Since Day himself was none too certain that the patent would survive a full-fledged test in court,[31] it was plainly wise for the Electric Vehicle Company to make the best deal it could with the gasoline automobile manufacturers.

On this showing, it is clear that the danger of the Selden patent creating an automobile monopoly has been greatly exaggerated. If the patent ever kept anyone out of the automobile industry, or even influenced the design of automobiles in any way, the fact does not appear in the record. Whatever some of its founders may have desired with regard to restricting competition, the Association of Licensed Automobile Manufacturers in practice pursued a reasonably liberal licensing policy,[32] and its members competed freely with each other. Moreover, the ceaseless coming and going of new makes of cars during these years suggests that the Association never got very far even with its campaign against the fly-by-nights. The organization's most lasting contribution to the automobile industry had nothing to do with the restriction of competition. It was the initiation of the program of technical standardization which was later taken over by the Society of Automotive Engineers.[33]

As a matter of fact, the only manufacturer who appears to have benefited from this whole arrangement was the principal nonparticipant, Henry Ford. It must be kept in mind that the Selden patent suit between the Ford Motor Company and the A.L.A.M. occurred at the height of the trust-busting crusade, when any combination was automatically suspect. The Association came to be regarded quite erroneously as a sinister Automobile Trust, and it suffered from the bad reputation of the Whitney syndicate. Ford, on the other hand, was cast by public opinion in the role of David battling the monopolistic Goliath – a role, needless to say, worth millions of dollars in advertising value to the Ford Motor Company.

Suppose Ford had lost his case? An adverse verdict would have

[30] Letter, Henry B. Joy to George H. Day, 3 Jan. 1903 (Henry B. Joy Papers).

[31] Greenleaf, "The Selden Patent Suit," p. 192.

[32] Cuntz, who was employed by the Association as its patent expert, insists that it never tried to limit competition. See letter, Cuntz to Charles B. King, 11 Aug. 1936 (Charles B. King Collection, Detroit Public Library). For conflicting evidence see Nevins, *Ford*, p. 432.

[33] George V. Thompson, "Intercompany Technical Standardization in the Early American Automobile Industry," *Journal of Economic History*, XIV, No. 1 (Winter, 1954), 3.

hurt the Ford Motor Company financially but would hardly have driven it out of business,[34] and there certainly would not have been an end to free enterprise in the automobile industry. When the final decision was handed down early in 1911, the Selden patent had little more than a year to run anyway. Regardless of how the courts ruled, the automobile field was going to be open to all comers after 5 November 1912, and while the manufacture of automobiles required a somewhat more substantial investment than had been necessary a decade before, it was still a field with ample opportunity for new entrants. The title which Professor Nevins has used for one of his chapters on this episode in Henry Ford's career, "The Shadow of Monopoly," [35] is well chosen. It was only a shadow, nothing more.

Collapse and Disintegration

By the time the great patent suit was resolved, the organization with which it had all started was no longer in existence. The Panic of 1907 saw both the Electric Vehicle Company and the Pope Manufacturing Company go into receivership, although the automobile industry in general weathered this crisis quite successfully. The expectations on which the merger had been based had proved to be illusory. The electric taxicabs were, as we have stated, a failure, and a futile attempt to keep them in operation swallowed up the combine's share of the Selden patent royalties.[36] The royalties themselves were scarcely munificent as a source of revenue. At the end of 1907 the total payments from the licensees came to $1,893,608.93, of which the Electric Vehicle Company's share was $682,274.64.[37] The best year was 1906, when the company's income from royalties was $217,683.56, but this was hardly enough to support an unprofitable business venture and also the $20,000,000 of securities the Electric Vehicle Company had issued. Nor was the company in a position to benefit from the continuing expansion of the automobile industry, since the licensees promptly took advantage of its troubles to beat down the royalty rate. The flimsy character of the organization was revealed with painful clarity when it collapsed. Of the $17,000,000 of assets claimed by the Pope Manufacturing Company, $14,000,000 was charged to goodwill.[38] The Electric Vehicle Com-

[34] Nevins, *Ford*, p. 443.
[35] Nevins, *Ford*, chap. XIII.
[36] *Automobile Trade Journal*, XXIX, No. 6, 206.
[37] *The Automobile*, Vol. 18, No. 19 (7 May 1908), 653.
[38] These figures are taken from Greenleaf, "The Selden Patent Suit," pp. 432–33.

pany had less confidence in its goodwill, but it arrived at assets of over fourteen million dollars by valuing its patents and licenses — the only important one being the Selden patent — at eleven and a half millions. Its cash assets came to $12,000.

After two years of receivership, what was left of the combine was reorganized as the Columbia Motor Car Company of Hartford, with its capitalization scaled down to $2,000,000.[39] The new concern inherited the Selden patent from its predecessor, and it also seems to have inherited the compound of bad luck and bad judgment that had pursued the Electric Vehicle Company from the beginning. The reorganization was scarcely complete before the Columbia company became involved in another overambitious scheme of automobile combination.

By this time most of the original promoters of the Electric Vehicle project had dropped out of the picture. Whitney and Day died before the 1907 crash, and Albert A. Pope did not long survive the demise of his company. Widener and Ryan evidently found the tough competitive conditions of the automobile industry uncongenial to them and returned to the less strenuous world of stock promotion and street railway franchises. Only Anthony N. Brady of this group remained interested in the automobile business, and he was, appropriately enough, a participant in the project whose failure destroyed the last vestiges of the Electric Vehicle organization.

This was Benjamin Briscoe's United States Motor Company, launched in 1910 with Brady as one of its backers[40] in an effort to duplicate the feat of Briscoe's erstwhile associate, William C. Durant, in establishing General Motors. The basis of this organization was Briscoe's own Maxwell-Briscoe Motor Company and the Columbia concern, to which were later added several smaller automobile manufacturers and a miscellany of related enterprises, the whole combination being capitalized at $30,000,000.[41] It was a jerry-built structure, whose parts had no intrinsic relationship to each other, and it included none of the leaders of the automobile world. It went into receivership in 1912, and when the wreckage

[39] Seltzer, *History of Automobile Industry*, p. 25. The Pope Manufacturing Company was also scaled down. Its Toledo plant was bought by John N. Willys, who then moved the Willys-Overland Company there from Indianapolis. This reorganization lasted until 1911, when another failure resulted in liquidation.

[40] Seltzer, *History of Automobile Industry*, p. 38. Brady was also a substantial stockholder in General Motors.

[41] *Automobile Trade Journal*, XXIX, No. 6, 51; Seltzer, *History of Automobile Industry*, p. 38.

was cleared away, the Columbia Motor Car Company had disappeared.

So terminated an enterprise which neither could nor should have succeeded. It began with an understandable but nevertheless unnecessary error of judgment regarding the prospects of the electric automobile and grew into an attempt at monopoly with overtones of a large-scale bucket shop operation. When it became evident that the gasoline car was going to be the dominant type after all, the Electric Vehicle group tried to establish a privileged position for itself by exploiting the nuisance value of the Selden patent. It was, in short, a parasitical growth on the automobile industry, and its demise was regretted only by those unfortunate enough to hold its securities.

The worst casualty was the Pope Manufacturing Company. Here was a concern which had done some valuable pioneering work with highway vehicles, both gasoline and electric,[42] and possessed the organization, financial resources, and technical skill to become a major automobile producer, but which lost its opportunity because its officials allowed themselves to be tempted by an alluring get-rich-quick scheme. No other explanation is sufficient to account for the Pope catastrophe. Other firms turned from bicycles to automobiles without undue difficulty – Winton and Jeffery, for example, and the decline of automobile manufacturing in New England should not have been fatal to a company which had extended its operations to Toledo and Indianapolis. What the Pope people envisaged when they joined in the Electric Vehicle project was obviously a repetition of what they had done successfully in the bicycle industry; what they did not foresee was that the automobile industry would develop too rapidly and on much too large a scale to be monopolized or even constrained. All they accomplished was to offer a demonstration that in business there is no adequate substitute for the production of goods and services.

[42] Maxim claims that in 1899 the Pope company was the largest producer of motor carriages in the country (*Horseless Carriage Days*, p. 169). Since he uses the term to include both gasoline and electric vehicles, he was probably correct.

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Banking Enterprises in Utah, 1847-1880

The development of banking in Utah advanced by stages, each of which marked an increase in the degree of specialization practiced by institutions performing banking functions. After the first settlement of the territory in 1847, banking functions were assumed principally by the Church of Jesus Christ of Latter-day Saints (Mormon). With the inauguration of mining activity in the Mountain States in the early 1860's, formalized banking institutions were established in Salt Lake City. These miners' and merchants' banks predominated until the early 1880's when commercial banks were established in most of the settlement centers of the territory.

In most frontier American communities, and in early stages of economic development in many parts of the world, banking functions were performed primarily by merchants and express companies. In Utah such early merchants as Livingston, Kinkead and Bell; Holladay and Warner; John and Enoch Reese; Andrew and Levi Stewart; J. M. Horner; J. M. Hockaday; and others engaged in various types of banking activity. As with other pioneer merchants they often sold goods on credit and were paid later with customers' goods and services. By keeping open accounts for extended periods of time, they made it possible for the short supply of cash in territorial Utah to spread itself more widely. Merchants also accepted promissory notes drawn between their customers and transferred the transaction to the accounts of the persons affected, thus serving as a kind of community clearinghouse. Finally, merchants, firms engaged in the importing and exporting of goods, and express companies bought and sold drafts on eastern institutions and handled exchanges. Their principal agent in this respect, at least until its failure in 1855, appears to have been the important banking house of Page & Bacon in St. Louis. The chief drawback of these firms as bankers was the fact that their credit was acceptable in a limited area only.[1]

[1] *Deseret News* (Salt Lake City, weekly), 6 Nov. 1852, and advertisements

While the role of merchants as bankers in early Utah must not be minimized, an even greater part was played by the Church of Jesus Christ of Latter-day Saints (Mormon). This close-knit organization, as the primary conscious bond of all Mormon communities in the West, exerted a major influence on the economic development of the Great Basin. Under its direction new colonies were planted and nurtured, new industries established and supported, and comprehensive planning undertaken in the interests of growth and development. So closely, in fact, were church and private interest interwoven in the economic life of Mormon Country, that it is quite impossible to separate out and assess with precision the relative ownership shares of each. This dominant role of the Mormon Church in economic matters, including banking, introduces a unique element in the financial history of Utah.

The banking activities of the Mormon Church included the introduction of coin and currency to supplement other circulating media, the provision of short-term consumer and commercial credit through the tithing houses, the supplying of long-term agricultural and industrial credit through the same agencies and the church treasury, and the handling of drafts, remittances, and other "foreign" credit instruments through the agency of such church institutions as the Perpetual Emigrating Fund Company. Under the leadership of Brigham Young, a man of unquestioned endowment, the church sought to alleviate the acute shortage of money which plagued all frontier communities by printing currency and minting coin. From 1847 to 1850 the church treasury issued approximately $10,000 worth of gold-backed notes for local use. During the same period a Church Mint coined and introduced approximately $70,000 in gold pieces which were used largely in external trade. Again in 1858, during the emergency created by the Utah War, almost $100,000 worth of currency was introduced by a church bank called the Deseret Currency Association. Backed by church cattle and horses, this currency remained in general circulation until 1861. This issue was followed by some $50,000 in gold coins which were minted for use in making purchases outside the territory when trade with the States was resumed in 1860.[2]

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throughout; [George M. Cannon], "Utah," in John Jay Knox, *A History of Banking in the United States* (New York, 1903), pp. 852–55; Harold F. Williamson, ed., *The Growth of the American Economy* (2nd ed.; New York, 1951), p. 232.

[2] Leonard J. Arrington, "Coin and Currency in Early Utah" and "Mormon Finance and the Utah War," *Utah Historical Quarterly*, XX (Jan. and July, 1952), 56–76, 219–37.

The most important early banking activity of the Mormon Church, however, was that connected with the tithing houses located in every Mormon settlement in the West. The tithing houses, of course, were general stores and performed the same banking functions as private merchandising institutions. Indeed, tithing houses were the only general stores in most Utah communities until 1869. The total volume of business of the scores of tithing houses in the Great Basin almost certainly grossed larger than the total of all private retailers in the same region – at least until the late 1860's.

The tithing houses kept an elaborate bookkeeping system, with debits and credits for each customer; accounts were "settled," but not necessarily balanced, at the end of each year. Thus, individuals and village shops and industries could "save" by accumulating credits and "borrow" by withdrawing commodities in excess of their accumulated credits. The tithing offices, particularly the General Tithing Office in Salt Lake City, issued a kind of currency called "tithing scrip" which circulated more or less generally throughout the territory. Tithing scrip facilitated accurate bookkeeping, unburdened exchange, and was the chief means of extending short-term credit to struggling village industries.[3]

More important, however, was the use of tithing resources to promote community development. Individuals took their surplus grain, pigs, potatoes, and eggs to the tithing houses, and the tithing offices in turn used them in supporting laborers engaged in such activities as making roads, constructing dams, building schoolhouses, and erecting telegraph lines. The network of tithing houses thus represented a community receiving and disbursing system which mobilized internal savings "in kind" and financed the manifold economic activities which would not automatically be carried out by private enterprise.

What the tithing houses did on a village basis, the central treasury of the church, called the Office of the Trustee-in-Trust, did on a territorial basis. With tithing receipts, other donations, borrowed capital, and profits of church enterprises as its revenue, the Office of the Trustee-in-Trust financed public works of interest to the entire church. Woolen factories, major canal systems, railroads, importing houses, and, of course, various kinds of buildings for worship were among the enterprises and institutions financed by this office. By lending capital and credit, and by borrowing and relending surplus funds from other members of the community, the Office of the

[3] Leonard J. Arrington, "The Mormon Tithing House: A Frontier Business Institution," *Business History Review*, XXVIII (March, 1954), 24–58.

Trustee-in-Trust was also a kind of church-wide investment bank.[4] Above all, however, the Trustee-in-Trust established the Perpetual Emigrating Fund Company as a financial arm to handle emigration. Savings of converts abroad and donations of settlers in Utah were utilized in assisting some 100,000 Mormons to migrate to Utah from 1847 to 1887.[5] By maintaining deposits in leading banks in the East and in Europe, the P. E. F. Company, as it was called, was in a position to perform leading banking functions for Utah Territory. Drafts, remittances, transfers, and other credit instruments were handled on behalf of Mormon individuals and institutions in Utah and elsewhere.

While the Mormon Church and private mercantile firms sufficed as bankers during the first seventeen years of Utah's history as a settled territory, specialized institutions were required beginning in 1864.[6] Utah, itself, might have gone without specialized banks until the coming of the railroad in 1869 had not the needs of dependent territories required such institutions. Beginning with the Pike's Peak, Colorado, discoveries of 1859, increasing attention was given to mineral prospecting in the Mountain States. Rich veins of ore, particularly gold and silver, were found in Nevada, Idaho, Montana, and Utah, as well as further discoveries in Colorado, in the next four years. The miners' stampedes which followed these discoveries, of course, did not equal in magnitude or precipitancy the Gold Rush of forty-nine, but they did attract thousands of miners and hundreds of merchants, freighters, and camp followers. Above all, they established a need for banks: to purchase and store gold dust, transmit it to eastern financial centers, handle miners' savings, discount drafts, and extend credit to freighters, merchants, and miners. Miners' banks were established in Colorado in 1859, and California

[4] Leonard J. Arrington, "The Settlement of the Brigham Young Estate, 1877–1879," *Pacific Historical Review*, XXI (Feb., 1952), 1–20.

[5] Gustive O. Larson, *Prelude to the Kingdom* (Francestown, N. H., 1947).

[6] One reason for the tardiness of banking development in Utah was the fact that land in Utah was "free," at least in a financial sense. Until the passage in 1869 of federal legislation providing for the ownership of land, a man could obtain the means of a livelihood (i.e., land) simply by going to the Mormon bishop and asking where he could settle. He "paid" for the land merely by laboring on a community co-operative canal. Under ecclesiastical regulation of property rights a market for land was practically nonexistent until the late 1860's. Hence there was no need of land banks, which played such an important role in other parts of the West. The absence of such banks, in turn, explains to some extent the lack of a sensational history of currency, inflation, etc., in pioneer Utah. The early monetary history of Utah Territory deals principally with the church's attempts to provide cash and credit for transaction and import purposes.

banks served western Nevada, but Salt Lake City became the center of the growing "inland empire" which included Utah, eastern Nevada, Idaho, and Montana. Not only was Salt Lake City centrally located with respect to the various mining areas of the West, but it had the largest population (between 15,000 and 25,000) and the greatest diversity of trades and services. All stage routes serving the mining regions of this new West found it convenient to start from Salt Lake City; and Salt Lake City had the basis for a banking community in the number of prominent freighters and merchants who had been attracted to Utah in 1858 and thereafter to take advantage of lucrative government contracts during the Utah War. Utah was also the chief source of food for most of the mining camps in the region, and an entrepôt for supplies freighted west from Leavenworth and St. Louis. Finally, with its magnificently equipped theatre, and its reputation for being a "good family town," Salt Lake City had undoubted attractions to bankers and other businessmen with families.

The richest finds having been made or proved in 1862–1863, the year 1864 seems to have been a boom year in the mining regions north and west of Utah. It was this boom which was the immediate and compelling reason for the establishment of formally organized private banking houses in Salt Lake City in 1864.[7] Four such banking houses were attracted to Salt Lake City in that year: Clark and Company; Holladay and Halsey; Powers, Newman and Company; and Scott, Kerr and Company. All of these concerns, which had Midwestern connections, were freighters and merchants as well as bankers. Banking was simply one aspect of their manifold economic interests. They purchased the gold dust of returning miners and sold it in New York City where it brought fabulous prices during the Civil War; they sold drafts on eastern and Midwestern banks, made exchanges, purchased land warrants and government vouchers; and they provided a circulating medium for local use much superior to the wasteful and inconvenient "trade dust." [8] They also

[7] When H. H. Bancroft collected material from western territorial officials in 1862 for his Pacific Directory, the only banking house reported in Utah was the Deseret Currency Association (Bancroft Scrapbooks, 1860–1864, Vols. 27–28, "Utah Counties," MSS., Bancroft Library, Berkeley, California).

[8] The predominating currency in the mining areas of the Mountain West was "trade dust" — a mixture of black sand and gold dust which was carried in a buckskin bag or wallet or carefully tied up in pieces of paper. The local price of this dust in the 1860's varied from $16 to $18 an ounce. Some regions used this medium almost exclusively; others accepted greenbacks also, though usually with a discount ranging from 20 per cent to 25 per cent. The use of dust required that every merchant and businessman maintain scales for weighing. It

provided mining and other enterprises with working capital, and served as "middlemen" in the purchase of machinery and supplies in the East. On each of these transactions, of course, they earned a commission, fee, or other profit, and appear to have enjoyed relatively good incomes.[9]

Clark and Company was the first bona fide banking firm in Utah Territory. This establishment, it is interesting to note, sprang from a banking house instituted in Leavenworth, Kansas, in 1858, by Milton E. and Austin M. Clark and E. H. Gruber.[10] When gold was discovered the following year at Pike's Peak, Clark, Gruber & Co. purchased large quantities of dust and expressed it by armed guards to Leavenworth. The available supply was so ample that the partners soon conceived the idea of planting coining machinery in Denver and manufacturing gold coin for local circulation. Some $3,000,000 worth of coins were introduced during the years 1860–1863, bearing an artist's conception of Pike's Peak on one side, and the firm name of Clark, Gruber & Co. on the other side. These coins, and printed engraved notes redeemable in them, were widely used in Colorado, Utah, and elsewhere. With the opening of gold mines in Idaho and Montana, Milton E. and Austin M. Clark switched their interests to these areas and established a number of branch offices to purchase gold for shipment to Leavenworth. As a part of a move in 1864 to centralize and expand their offices at Salt Lake City, they entered into a partnership with John W. Kerr, a prominent Salt Lake merchant, who had previously established a money brokerage business of his own. Operating under the name of Clark and Company, this partnership was Utah's first formally organized bank. In December, 1865, the two Clarks sold their interests to Kerr, who continued as a private banker until April, 1867, when he consolidated his interests with the Miners' National Bank of Utah, becoming cashier of that institution. His bank must have been reasonably profitable since Kerr's declared incomes in the 1860's were among the highest in Utah Territory.

Utah's second bank, the firm of Holladay and Halsey, has an

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also meant that the smallest price for anything was 25 cents — the price of a pinch of dust. "A shoe-string, a paper of pins, an apple, a copy of a daily paper" — all these were 25 cents, according to Bishop Daniel S. Tuttle, *Reminiscences of a Missionary Bishop* (New York, 1906), pp. 286–88. See also Knox, *History of Banking*, pp. 813–14.

[9] Almost all leading income-earners in Utah during the years 1862–1872 were bankers and merchants. See my forthcoming article, "Taxable Incomes in Utah, 1862–1872," in the *Utah Historical Quarterly*.

[10] See Knox, *History of Banking*, pp. 829–31.

equally interesting history.[11] As a lad of eighteen, Ben Holladay had been recruited as a courier for the Missouri State Militia during the exercises which forced the Mormons out of Missouri in 1838. Young Holladay apparently went out of his way to be friendly with the Mormons. After the Mormons had gone to the Great Basin, Holladay acquired Mexican War surplus oxen and wagons and, in association with Theodore W. Warner, a Missouri merchant, took a train of 50 wagons filled with $70,000 worth of merchandise from the Missouri River to Salt Lake City. He was received in kindly remembrance by the Mormon settlers, and had no difficulty in disposing of the entire stock of goods at a large profit. In succeeding years he took many wagon trains to Salt Lake City and profitably disposed of all of them. In 1854, Holladay bought out his partner, and in 1858 he became associated with the large freighting firm of Russell, Majors, and Waddell, which had obtained a government contract to haul many train loads of supplies to Camp Floyd, Utah, as a result of the occupation of the territory by the army of General Albert Sidney Johnston. Eventually, the large firm became heavily indebted to Holladay, and in 1862 he obtained the entire line, with its huge investment in livestock and wagons, by foreclosure.[12] Holladay now proceeded with energy and enthusiasm to reorganize and extend the lines of this newly acquired company. From 1864 to 1866 the Holladay Overland Mail and Express Company [13] virtually reigned supreme between the Missouri River and Salt Lake City. The magnitude of the operations can be gauged from the fact that in 1864 Holladay hired no less than 15,000 men, used 20,000 wagons and 150,000 animals, and transported 100,000,000 pounds of freight

[11] See J. F. Frederick, *Ben Holladay, The Stagecoach King: A Chapter in the Development of Transcontinental Transportation* (Glendale, Calif., 1940).

[12] William Russell and Alexander Majors, both small freighters, pooled their interests in 1855 and freighted from Fort Leavenworth to Fort Kearny and Fort Laramie. In 1857 Russell and Majors were awarded a lucrative contract to supply goods to Johnston's Army, on its way to Utah. Although the three principal wagon trains were captured and burned by Captain Lot Smith and his Mormon raiders, the firm apparently suffered no setback. William B. Waddell, a wealthy Missourian, joined the partnership in 1858. Operating as the Central Overland California and Pike's Peak Express Company, Russell, Majors, and Waddell initiated the pony express in April, 1860, in order to prove the feasibility of the central route and thus induce Congress to give the C. O. C. & P. P. Exp. Co. a mail contract. With the completion of the transcontinental telegraph line in October, 1861, the pony express came to an end with expenses exceeding receipts by some half a million dollars. Frederick, *Ben Holladay*; Alexander Majors, *Seventy Years on the Frontier* (Chicago, 1893).

[13] From 1862 to 1866 the company operated under the Russell, Majors, and Waddell charter. After 1866 the stage company was chartered as the name given above.

between St. Joseph, Missouri, and Salt Lake City. It was in this year that Holladay, in association with W. L. Halsey, who migrated from New York for the very purpose, set up a private bank in Salt Lake City. This bank, with deposits in excess of $50,000, was the largest bank in Utah. It remained in operation until 1866 when Holladay, viewing the approach of the transcontinental railroad, sold out his entire interests to Wells, Fargo and Company for $1,500,-000 in cash and $300,000 in Wells Fargo stock.

Clark and Company and Holladay and Halsey were the initiators of specialized and full-line banking activity in Utah and the Great Basin in 1864. They were not the only banking firms, of course. Scott, Kerr and Company, a Leavenworth, Kansas, freighting concern, purchased the interests of Powers, Newman and Company and operated from September, 1864, to February, 1866. William Jennings, a wealthy Mormon merchant, engaged in banking as a supplement to his other extensive interests during most of the 1860's. And the Corporation of Great Salt Lake City printed $10,000 worth of municipal notes, redeemable in greenbacks, in 1864 and additional amounts in succeeding years, to supplement the circulating medium of the growing frontier metropolis. But Clark and Company and Holladay and Halsey were the innovators; they sensed the demand for banking services and the opportunity for profit in meeting that demand. As money brokers and freighters with experience they were also better prepared to supply the service. Above all, they did not have the psychological block which prevented the Mormons from assessing the situation and converting it to the advantage of their group. For while the Mormons were unbelievably efficient in appraising their own economy, viewed inwardly, and developing programs to meet its needs, their entrepreneurial vision was often myopic with respect to serving "outsiders," even when such service would redound to the undoubted advantage of their own group.[14]

Those who developed the first specialized banks in Utah, then, were non-Mormons; their primary motivation was the prospect of servicing the new mining regions north and west of Salt Lake City;

[14] Some Mormons failed to understand the function of the "money broker" banks of the 1860's. One prominent official, for example, wrote: "We have four extensive banking houses, and they manage to get nearly all the gold and send it away; while the people are privileged to use the 'greenbacks' for a circulating medium in nearly all their business transactions." Surely he could not have wanted to "tie up" the gold as a local circulating medium when it could be used to obtain supplies and equipment at favorable exchange rates in the East! (See Samuel W. Richards to the editor, 3 Dec. 1865, *Latter-day Saints' Millennial Star* [Liverpool], XXVIII [1866], 77.)

and their banking was complementary to freighting, merchandising, and other activity. Their banks had no separate capital; and, of course, they were not subject to regulation. They were restrained from issuing notes by the provisions of the National Banking Act of 1863, as amended in 1864. Because of the acknowledged impermanence of their service, they often conducted their business in cheap one-story frame buildings, with a roughly cut piece of timber as a counter to separate employees from the public. There were certainly none of the gilded dignity and marbled magnificence which characterized American banking, even in Utah, in the early years of the present century. A steel-wire cage, a desk, table and chairs, and a big stove often comprised the furniture. The bank was ready to operate as soon as the safe arrived. In this awesome piece of furniture the treasures of the bank were stored each night. The inability of the bank to assure complete safety of deposits was well understood. Often, when customers came to withdraw considerable sums in specie, they were kept in conversation by the cashier while the bank president scouted the town for some gold he could borrow to pay such insistent depositors.[15]

With the success of these early firms, the passage of the National Banking Act, and the continued growth of mining and other economic activity in Utah and surrounding states and territories, a differentiation began to take place between national banks, incorporated territorial banks, and unincorporated private banks. Particularly after 1866, the number and size of banks increased and banking activity became more sophisticated.

National banks, of course, were those chartered by the Comptroller of the Currency in Washington, D. C., under the provisions of the National Banking Act.[16] A paid-up capital of at least $100,000 was required in cities the size of Salt Lake City. National banks were required also to deposit with the Comptroller of the Currency government bonds equal to one-third of their capital, in return for which they would receive national bank notes equal to 90 per cent of the value of the deposited bonds. These notes would then be

[15] Instances are mentioned in Knox, *History of Banking*, pp. 668–859.

[16] On the National Banking Act, see Paul Studenski and Herman E. Krooss, *Financial History of the United States* (New York, 1952), pp. 154–55; Davis R. Dewey, *Financial History of the United States* (5th ed.; New York, 1915), pp. 326–28; Horace White, *Money and Banking Illustrated by American History* (5th ed.; Boston, 1914), pp. 348–60; Charles F. Dunbar, *Laws of the United States Relating to Currency, Finance, and Banking from 1789 to 1896* (Rev. ed.; Boston, 1897); and A. M. Davis, *The Origin of the National Banking System* (Washington, D. C., 1910). I am also grateful for the helpful interpretations of Professor Evan B. Murray, Utah State Agricultural College.

placed in circulation by the banks, largely through the lending process. National bank notes and greenbacks — or "Lincoln skins," as they were called in Utah — would constitute the national currency. To insure the redeemability of national bank notes, each national bank was required to maintain a 15 per cent reserve in "lawful money" (gold, silver, and greenbacks) against its outstanding note circulation and deposits. As a further precaution, stockholder-owners were subject to double liability in case of the failure of the bank. National banks also were prohibited from making loans on real estate and on the security of the bank's own stock. The prohibition against real estate loans, of course, meant that national banks could render little assistance to the development of agriculture. In Utah their activity was limited almost entirely to the extension of working capital loans to mining and business interests.

Utah's first national bank, chartered on 3 March 1866, was the Miners' National Bank of Salt Lake City, with a capital of $150,000. The founders were primarily men attracted to Salt Lake City as the result of the mining boom of the early 1860's: William Kiskadden, an Ohioan who had freighted gold and supplies in Colorado after the Pike's Peak discoveries in 1859 (he was an uncle of Maude Adams [Kiskadden], the actress), and John F. Nounan, a Kansas freighter who had previously maintained a small private bank in Salt Lake City. In 1867, as previously noted, John W. Kerr consolidated his own private bank with the firm and became its cashier. George W. Durkee, the territorial governor, also became an important stockholder. The total resources of this bank grew from $165,000 in July, 1866, to more than $400,000 in January, 1869. In the latter year the assets of the bank were taken over by the First National Bank of Utah.[17]

The First National Bank of Utah, successor to the Miners' National Bank, developed from a partnership of Warren Hussey and Charles Dahler. Hussey was a gold broker and land agent in Colorado in the early 1860's, while Dahler was Denver agent of Ben Holladay's Overland Stage Line. When Holladay sold out to Wells Fargo in 1866, Hussey and Dahler associated together in banking enterprises in Central City and Denver, Colorado; Salt Lake City; and Virginia City and Helena, Montana. Dahler handled the Central City and Denver offices, and Hussey managed the Salt Lake and Montana firms. Imaginative, energetic, and a typical western "promoter," Warren Hussey quickly developed his bank into one of

[17] Annual reports of the Comptroller of the Currency, 1866–1869; Alexander Toponce, *Reminiscences* (Ogden, Utah, 1923), pp. 145–47, 172.

Utah's most important financial houses, with branches in Corinne and Ogden, Utah. Certain that the completion of the transcontinental railroad would provide ample justification for expansion, Hussey-Dahler received a certificate for organization as the First National Bank of Utah on 17 August 1869. In December of the same year the firm bought the Miners' National Bank of Utah. By 1873, the First National had a paid-in capital of $150,000, with loans and discounts amounting to $250,000, and deposits in excess of $400,000. Designated as the official United States depositary and financial agent in Utah, the First National seemed to be immensely profitable. Dividends totaling 100 per cent of capital were paid in 1871–1872. Credit was extended primarily to mining enterprises and industries more or less dependent on mining. When mining and other activity began to slump as the result of the Panic of 1873, the bank was unable to meet the heavy withdrawals which occurred and was forced to suspend payments in September, 1873.[18] The Comptroller of the Currency appointed a receiver, and the bank went into involuntary liquidation in December, 1874. Four years later, when the receiver was finally discharged, less than 25 per cent of the claims against the bank had been paid. The abrupt change from fabulous dividends in 1871–1872 to dismal failure in 1873 seems almost unbelievable in these days of careful federal and state examination, supervision, and regulation; but, of course, bank examinations in the early 1870's were a rather perfunctory task. No official would have ventured to suggest to Hussey in 1872 that he should leave his profits in the surplus account. The reason given by the Comptroller of the Currency for the failure of the bank was "incompetent management." [19]

When Hussey was forced to leave Utah in 1874, he continued banking in mining areas in Colorado and Montana.[20] In these activities, he appears to have been more the banker-promoter than the banker-investor. For three years (1880–1883) he resided in

[18] *Deseret News* and Salt Lake *Herald*, 27 and 28 Sept. 1873. The First National successfully met a "run on the bank" in March, 1873, according to Salt Lake *Herald*, 21 March 1873.

[19] Comptroller of the Currency to Leonard J. Arrington, 19 July 1955. It would appear that many of the assets of the First National were "tied up" in long-term loans to mining enterprises and businesses dependent on them which could not be recovered on short notice without great loss. When the Panic of 1873 broke, the assets of the bank were both "frozen" and valueless.

[20] *Northwest Mining Truth* (Spokane, Wash.), V (16 Feb. 1920), 41–42. Mr. Joel Ferris, president of the Eastern Washington State Historical Society, and also president of the Spokane and Eastern bank, has furnished valuable material pertaining to the life of Warren Hussey.

New York City buying and selling stocks and promoting mines in Colorado. In 1883 he went to northern Idaho, where new strikes had been made, and started a bank in a tent to serve this new mining region. He later established banks at several points in this region, and eventually moved to Spokane, Washington, in 1886, where he established the Spokane National Bank. This bank failed in the Panic of 1893. In the years following this heavy loss, he lived in San Francisco, New York, and Spokane until his death in 1920. Not only was he Utah's first banker of consequence, but he was also one of the first bankers to serve new mining regions in Colorado, Montana, Idaho, and Washington. A study of his financial activities after 1861 would come close to constituting a chronicle of Inland Empire mining.[21]

The third national bank in Utah Territory – the Salt Lake City National Bank of Utah – was also founded by "outside" interests. The prime mover in the establishment of this bank was B. M. Du Rell, who had established the First National Bank of Idaho in Boise in 1867. Du Rell had gone to Idaho at the time of the first mining boom there in 1862–1864, and had set up a lucrative mercantile and provisioning business catering to prospectors in need of supplies and equipment. Having concluded that Salt Lake City was a strategic distribution and financial center, he left the Boise bank in 1871 to establish the Salt Lake City National Bank of Utah, with a paid-up capital of $100,000. The bank was destined to last less than four years. On 21 February 1876, it went into voluntary liquidation, and eventually paid its obligation in full.[22] The reasons for the discontinuance of the bank are undisclosed.

The final national bank, and the first "Mormon bank," to be founded in Utah during the period of "pioneer banking" in Utah was the Deseret National Bank. This bank was an outgrowth of a banking partnership established in 1868 under the name of Hooper, Eldredge and Company. William H. Hooper was a prominent Salt Lake City merchant and Utah's territorial delegate to Congress; Horace S. Eldredge was also a prominent merchant and high official of the Mormon Church. Their mercantile firm having been absorbed in 1868 into the church-promoted wholesale and retail house, Zion's Co-operative Mercantile Institution, Hooper and Eldredge

[21] Dahler, whose Colorado bank had been consolidated into the City National Bank of Denver in 1872, went to Montana, where he used the assets of one of the Hussey-Dahler branches there to found the People's National Bank of Helena. That bank also became insolvent in 1878.

[22] Apparently it was not absorbed or succeeded by any other bank. Annual reports of the Comptroller of the Currency, 1867–1877.

entered the field of banking with their bookkeeper, Lewis S. Hills. Their bank was originally called "Zion's Co-operative Banking Institution," and the sign bore a representation of the All-Seeing Eye of Jehovah, signifying approval by the Mormon Church of their venture and enjoining all faithful Saints to patronize their establishment. Starting with a paid-up capital of $40,000, the firm increased its capital in 1871 to $100,000 and incorporated as the Bank of Deseret.[23] This was the first "state" bank in Utah.[24] The officers included Brigham Young, president; Horace S. Eldredge, vice president; Lewis S. Hills, cashier; and William H. Hooper, William Jennings, John Sharp, and Feramorz Little, directors. The bank further expanded and in 1872, with a paid-in capital of $200,000, obtained a charter as the Deseret National Bank.[25] The close association of its officers and directors with the Mormon Church caused many to feel that the Deseret National Bank was, in some way or other, a Mormon Church enterprise. In a legal sense, this was not true; but it was the only Mormon commercial bank in Utah for many years and co-operated in meeting the economic needs and social goals of the church. The historian, Edward W. Tullidge, regarded it in 1881 as the "financial handmaiden" of the Mormon Church.[26] In association with other Mormon officials, Hooper and Eldredge also founded the First National Bank of Ogden in 1881 and the First National Bank of Provo in 1883, both of which also co-operated in fulfilling the financial requirements and economic goals of the Mormon Church.

For nine years after the failure of the Salt Lake City National Bank of Utah in 1876, the Deseret National Bank was the only national bank in Salt Lake City. It continued as the leading national bank in Utah until well into the twentieth century. The Deseret National Bank remained a separate institution until 5 April 1932, when, as the result of the exigencies of the Great Depression, it was consolidated with the Security National Bank of Salt Lake City, a

[23] With shares valued at $100 each, leading stock subscribers were: W. H. Hooper and H. S. Eldredge, 250 shares each; Brigham Young, William Jennings, John Sharp, Feramorz Little, and Lewis S. Hills, 100 shares each. Incorporation papers, Office of the County Clerk, Salt Lake City.

[24] Utah had no provisions for incorporating business until the first general incorporation act was passed in 1869, and even this act contained no regulations with respect to the capital, reserves, and lending policies of banks. It was not until 1888 that Utah's territorial assembly made special provisions for the organization and operation of banks.

[25] The officers were the same as in the previous organization. When Brigham Young resigned the presidency in 1873, William Hooper became president, and remained as such until his death in 1882, when Eldredge became president.

[26] *Tullidge's Quarterly Magazine* (Salt Lake City), I (1881), 522–23.

bank controlled by Marriner Eccles and the First Security Corporation.[27] Total resources of the firm rose from about $600,000 in 1872 to more than $1,000,000 in 1880. During the same period deposits rose from $250,000 to $570,000.

An offshoot of the Deseret National Bank which should be mentioned at this point is Zion's Savings Bank & Trust Company. Incorporated under Utah territorial laws in July, 1873, Zion's Savings Bank & Trust Company was established by the Mormon Church to take over the savings department of the Deseret National Bank. The original officers and directors consisted of leading authorities of the Mormon Church and Mormon businessmen. Brigham Young was the first president, and the presidents of the institution to this day have been the presidents of the Mormon Church. The capital stock was originally listed at $200,000, of which one-fourth was paid up. Through its financial agent, James Jack, the church subscribed for one-half (2,000 shares) of the capital stock of the concern (par value, $50).[28] Shortly after its organization, Brigham Young made the following statement in relation to Zion's Savings Bank & Trust Company, which will explain its purpose: [29]

> This Institution is a cooperative one, and we think it is likely to meet with favor. The interest allowed is at the rate of ten per cent., per annum, compounded semi-annually. It will be found of considerable advantage to those who wish to save money for the emigration of their friends, as the interest is large; and sums as low as $1 will be received, which, if continually added to, will soon reach a considerable amount, and the depositors will hardly miss the money. We expect in time to have branches of this Bank all over the Territory, and perhaps extend it into Europe, so that the Saints there may also have the advantage of a higher rate of interest. One important lesson is taught us by the late financial panic [Panic of 1873], and that is, to husband our own resources, and to avoid, as much as possible, all entangling alliances.

[27] The combined bank then used the title First National Bank of Salt Lake City until it was further consolidated with the First Security Bank of Utah, National Association, and surrendered the use of the name. An interesting account of the absorption of the Deseret National Bank by the First Security system is given in Marriner S. Eccles, *Beckoning Frontiers: Public and Personal Recollections* (New York, 1951), pp. 63–69.

[28] This stock was held in trust by Mr. Jack until 1891, when the control passed to a syndicate formed by George Q. Cannon and Heber J. Grant. Using this stock as collateral, the Cannon-Grant Company borrowed extensively from eastern and coastal banks in order to support Mormon financial institutions during the depression of the 1890's. The Mormon Church later absorbed the obligations of Cannon-Grant and reässumed control of the bank. (See Diary of L. John Nuttall, typescript, Brigham Young University Library, entries for 10 April, 10 May, 25 July, 1889; Journal History of the Church, 16 April 1896, Church Historian's Office, Salt Lake City.)

[29] Brigham Young to Albert Carrington, 3 Oct. 1873, *Latter-day Saints' Millennial Star*, XXXV (1873), 681.

Thus, the bank was intended to stimulate thrift, facilitate emigration to Utah, and mobilize savings for investment projects, particularly those in which the church itself was interested. Indeed, Zion's Savings claims to be "the first western bank to make available long time loans." [30] During the first twenty-five years of its history, it made loans to Utah canal companies, railroads, real estate developments, salt companies, sugar companies, power companies, and, indeed, to the Mormon Church itself, on such security as stocks, bonds, and mortgages. With the occasional assistance of the Mormon Church, it successfully weathered the crises of 1873, 1891, 1893, and 1932. Its resources have grown from slightly more than $50,000 in 1873 to more than $50,000,000 today.[31]

It should be clear from the above review that three of the four national banks formed in Salt Lake City between 1866 and 1880 were intended to serve primarily mining camps in Utah and the surrounding territories. When that mining activity declined after the Panic of 1873, all of these banks either failed or were discontinued. Only the Deseret National, established by Mormons to serve expanding Mormon business interests in Utah, survived the panic and its aftermath. As with other Mormon financial activities, its management was essentially conservative and more interested in permanence than in quick profits.

Private banks of importance established between 1866 and 1880 were Wells, Fargo and Company, Walker Brothers Banking Company, and McCornick and Company. All three were founded by non-Mormon interests, but became a permanent and important part of the expanding Utah economy. The first of the three, Wells, Fargo and Company, had been organized on 18 March 1852 by Henry Wells and William G. Fargo, both of New York, for the purpose of carrying on an express business between San Francisco and New York.[32] It acquired stage coach lines, freighted merchandise and supplies (particularly gold), carried the mail, and became by 1860 the greatest and most powerful express company in the

[30] *A Half-Century of Service*, published by Zion's Savings Bank & Trust Company, Salt Lake City [1923], p. [7].

[31] See incorporation papers, Office of the County Clerk, Salt Lake City; *Deseret News*, 22 Aug., 18 Sept., 1 Oct., 1873; 2 Jan. 1884.

[32] The material on Wells Fargo is taken from Edward Hungerford, *Wells Fargo: Advancing the American Frontier* (New York, 1949); Ira B. Cross, *Financing an Empire: History of Banking in California* (4 vols.; Chicago, 1927), pp. 71–72, *et seq.*; and from a brief typewritten history of the Salt Lake branch prepared by the company in 1950 and furnished to the writer by Miss Irene Simpson, Director, History Room, Wells Fargo Union Bank and Trust Company, San Francisco, California.

West. When Wells Fargo bought out Ben Holladay's Overland Stage Line, Overland Mail, and other interests in 1866, its capitalization was increased to $10,000,000, and the firm then owned and controlled virtually all the stage lines from the Missouri River to California.

The Salt Lake bank acquired by Wells Fargo from Holladay and Halsey in 1866, although operating without a separate capital, became one of the firm's key banking agencies.[33] According to a surviving executive, the Salt Lake bank had a certain autonomy and "was at least as important as the bank here [in San Francisco]."[34] Its deposits were exceeded only by those of the Deseret National Bank, rising from an average of less than $30,000 in 1867 to over $200,000 in the mid-seventies. By 1890 total assets of the Salt Lake bank exceeded $1,000,000.[35]

Walker Brothers Bank was founded by four brothers who migrated to Salt Lake City from England with their mother and sisters, arriving in 1852. They established a mercantile partnership in 1859 in order to take advantage of the profitable opportunities offered by the presence of the U. S. Army at Camp Floyd, Utah. Bold and enterprising, the Walker Brothers succeeded in establishing the largest wholesale-retail establishment in the territory in the 1860's. While their partnership firm undoubtedly performed certain banking functions as early as 1859, as claimed in their official history, its official status as a bank, according to tax records, commenced in 1871. Banking continued to be incidental to the mercantile business until 1885, when the firm obtained a national charter and became the Union National Bank of Salt Lake City. Samuel S. Walker died in 1887, and David F. Walker embarked in independent enterprises about the same time, so that the capital stock of Union National Bank came to be owned by Joseph R. and

[33] Other Wells Fargo banks were located in San Francisco, New York City, Carson City, Virginia City, Nevada, and Portland, Oregon. The Virginia City and Carson City branches were closed in 1891; the Portland and New York City branches were sold in 1905. The San Francisco bank is still in operation under the name of Wells Fargo Union Bank and Trust Company.

[34] Statement attributed to F. L. Lipman in the material previously cited furnished by the Director, History Room, Wells Fargo Bank.

[35] Wells Fargo failed to take advantage of the opportunities for expansion after 1890. When the Salt Lake branch was eventually sold to Walker Brothers Bankers in April, 1905, its total resources totaled only $876,567, of which $457,234 was in cash and in banks. The bank, as mentioned, had no separate capital, and Walker Brothers paid but $50,000 for the owners' equity. (Minutes of Board of Directors, Walker Brothers Bankers, 20 April 1905, summarized in a letter from John M. Wallace, president, Walker Bank & Trust Company, to the writer, 3 May 1955.)

Matthew H. Walker. The brothers then surrendered the national charter in 1893 and formed the partnership, Walker Brothers Bankers. Joseph R. Walker died in 1901 and Matthew H. Walker purchased his interest in the bank and reincorporated it in 1903 as Walker Brothers Bankers, with a capital of $200,000. It was this bank, under the leadership of Matthew Walker, which purchased the Salt Lake City branch of Wells Fargo in 1905. In 1911 the bank erected Salt Lake City's "first skyscraper" – a building which still stands and is still occupied by the same firm. The bank also absorbed W. S. McCornick and Company in 1921. The capital of the bank stood at $1,500,000 in 1929, where it has remained since. The resources of the bank now approach $125,000,000.[36]

McCornick and Company was founded by W. S. McCornick, who left his native Canada in 1858 to seek his fortune in the West. He engaged in the lumber business in California and Nevada, and in 1871 decided to move to Salt Lake City for the same purpose. Lumbering in Utah did not appear to be profitable, however, and he switched his interests to banking. Originally he was associated with A. W. White, who had established a small private bank in Salt Lake City in 1871. McCornick bought out White's interest in 1875 and founded what was to become the largest private bank in Utah. By 1900, deposits in McCornick and Company exceeded $5,000,000. The firm was finally incorporated as McCornick & Co. in 1910, one of the leading stockholders being Daniel C. Jackling, "father of Utah copper." W. S. McCornick also associated himself with a number of important and successful ranching, railroad, and mining ventures, and had a reputation as the leading financier of the state. He became president of a number of other banks, including the First National Banks of Logan and Nephi, Utah. His Salt Lake bank was sold to Walker Brothers after the death of Mr. McCornick in 1921.[37]

As in the case of three of the four national banks organized in Utah before 1880, each of the three leading private banks was established by non-Mormons, though not by non-Utahans except in the case of Wells Fargo. Likewise, all three private banks seem to have been organized to cater primarily to the non-Mormon

[36] In order to emphasize the bank's growing trust business, the name of the bank was changed in 1931 to Walker Bank & Trust Company. *The Story of Walker Bank & Trust Company*, published by the company (Salt Lake City, ca. 1942).

[37] O. F. Whitney, *History of Utah* (4 vols.; Salt Lake City, 1899–1904), IV, 624–26; J. Cecil Alter, ed., *Utah: The Storied Domain* (3 vols.; Chicago, 1932), II, 285–86.

mining, freighting and mercantile interests of northern Utah, Idaho, and Montana.

There were a few other banks which operated in Utah Territory for brief periods. The firm of Wilson and Morton established a bank at Echo in August, 1868, to serve construction camps of the transcontinental railroad. They transferred to Corinne the following year, and sold out to Hussey and Dahler in July, 1870. O. D. Cass, a Midwestern doctor who had gone to Colorado to deal in gold as well as health, moved to Corinne in 1872 and opened the Bank of Corinne. It operated with a small capital until April, 1875, when it suspended under suspicious circumstances. J. W. Guthrie, a Corinne freighter, also operated a private bank in Corinne from 1875 to 1910. Guthrie established a branch in Ogden in 1877, but sold his interest the following year to the firm of Harkness & Company, which was absorbed into the Commercial National Bank of Ogden in 1883. J. E. Dooly, an agent of Wells Fargo, likewise established a bank in Ogden in 1875, which was absorbed into Guthrie, Dooly & Co. in 1880. The latter firm in turn was absorbed into the Utah National Bank of Ogden in 1883. Finally, the Mormon tithing houses, the Salt Lake City municipal corporation, and Zion's Co-operative Mercantile Institution issued due bills during the 1870's in such quantities and with such general acceptability that they were generally regarded (and taxed) as currency.[38]

All told, 34 separate banking institutions were established in Utah Territory during the years 1864 to 1880. Of these, four were national banks, four were incorporated territorial banks, and 26 were unincorporated private banks. All national and territorial banks and the great majority of private banks were founded in Salt Lake City.[39] Four private banks operated in Corinne and six at Ogden. Aside from the business-oriented towns of Salt Lake City, Ogden, and Corinne, no town in Utah had a bank before 1880.[40] Most of

[38] In addition to those named, there was a small miners' bank established by Cooper and McNiel at Wasatch, Utah, in 1869, which did not last out the year. Robert Anderson operated a small bank in Salt Lake City in the single year 1872; and T. R. Jones, a Salt Lake merchant, operated a bank successfully from 1877 to the 1890's. Information on state and private banks was obtained from U. S. Office of Internal Revenue, Utah District, Tax Lists, May, 1864, to April, 1873; Assessment book of Richard V. Morris, March, 1866, to Dec., 1869; Assessment lists and reports of O. J. Hollister, Collector, May, 1874, to April, 1878 (MSS., Bancroft Library, Berkeley, California); and John D. Speirs, "History of Money and Banking in Utah" (Master's Thesis, University of Utah, 1935), esp. pp. 107a–107b.

[39] The National Banking Act prohibited the creation of national banks in cities of less than 6,000 population.

[40] Assuming, of course, that the reports of the Collectors of Internal Revenue in Utah during these years are accurate.

these banks, particularly those in the earlier years, were an integral part of broader operations by their owners in the fields of merchandising and freighting, and therefore had little or no separate capital.

Of the 34 banks, only two — the Deseret National and the Zion's Savings banks — were established by Mormons to serve Mormons. All of the remainder were "outsiders," so far as the Mormons were concerned, since they were established either by non-Mormons or by non-Utah business interests. To a large extent, of course, the banking activities of the Mormons were cared for adequately by the network of tithing houses, the Office of the Trustee-in-Trust, and the various locally owned mercantile enterprises.[41] Nevertheless, it must seem clear that the economy of pioneer Utah was not synonymous with the economy of the Mormons. The predominance of mine-oriented and trade-oriented banks demonstrates an economic interdependence between Utah and the West far greater than has been generally supposed. The self-supporting Kingdom, so arduously fostered by the leaders of the Mormon Church since 1847 — a Kingdom which supposedly had not been successfully "invaded" in an economic sense until the completion of the transcontinental railroad in 1869 — is now seen to have been extensively penetrated by outside interests following the mining discoveries in Utah and neighboring areas in the early 1860's. No longer can pioneer Utah be viewed as an isolated and self-sufficient community, under the heel and rod of the Mormon Church. The preponderance of "outside" interests in the field of banking demonstrates the importance of the economic relationships which existed between Salt Lake City and other parts of the West and the nation, even before the completion of the transcontinental railroad.

Data for the banks established in Utah during the years 1864–1880 are summarized in Table I.

[41] The importance of tithing in the Utah economy can be gleaned from the fact that the total tithing receipts of the General Tithing Office in Salt Lake City in 1868 were $143,000, of which $25,000 was in cash, and this figure probably does not include receipts of all local tithing offices in the same year not forwarded to Salt Lake City, which may have amounted to as much as $100,000 additional. In the same year total deposits of all banks in Utah Territory were approximately $277,000, and the total value of all bank notes outstanding was $151,000. (See William Clayton Letterpress Copybook [1869–1885], p. 161, MS., Utah State Historical Society, Salt Lake City; also Table I of this article.)

TABLE I

Capital, Deposits, and Note Circulation of Banks in Utah Territory, 1864–1880

(In Rounded Dollars)

Year	Type of Bank	Number of Banks	Paid-in Capital [a]	Average Deposits [b]	Average Value of Bank Notes Outstanding [c]
1864	Private banks [d]	4	—	56,217	7,157
1865	Private banks	5	—	88,005	7,157
1866	National banks	1	150,000	77,157	44,970
	Private banks	6	—	239,553	7,157
	Total all banks	7	150,000	316,710	52,127
1867	National banks	1	150,000	58,798	135,000
	Private banks	5	25,000	225,085	14,071
	Total all banks	6	175,000	283,883	149,071
1868	National banks	1	150,000	72,519	134,891
	Private banks	3	25,000	204,138	16,411
	Total all banks	4	175,000	276,657	151,302
1869	National banks	1	150,000	80,506	134,551
	Private banks	8	120,000	591,060	27,057
	Total all banks	9	270,000	671,566	161,608
1870	National banks	1	100,000	147,829	124,143
	Private banks	4	65,000	110,465	—
	Total all banks	5	165,000	258,294	124,143
1871	National banks	1	100,000	302,509	132,939
	Private banks	7	57,546	347,596	23,574
	Total all banks	8	157,546	650,105	156,513
1872	National banks	2	250,000	490,152	225,000
	Private banks	7	183,605	544,556	24,411
	Total all banks	9	433,605	1,034,708	249,411
1873	National banks	3	450,000	598,633	403,762
	Private banks	6	30,000	509,763	22,341
	Total all banks	9	480,000	1,108,396	426,103

[a] No separate capital is reported for any private bank until 1867; after that date, capital is reported only for those banks which were independent enterprises devoted solely to banking activity. For the years 1874–1875 those banks which carried on banking incidental to their other business, and which therefore had no separate capital, such as Wells Fargo and Walker Brothers, were given an estimated capital of $3,000 to $5,000 by tax officials. This was intended to represent the cost of implements, safes, counters, stationery, etc., used in the business.

[b] No distinction was made between time and demand deposits of private and territorial banks during this period.

[c] Figures on national bank notes outstanding include issues by the Corporation of Salt Lake City, 1864–1871 and by Zion's Co-operative Mercantile Institution, 1870–1876, but do not include tithing scrip and due bills issued by a number of mercantile and industrial institutions.

[d] All of these appear to have been unincorporated proprietorships and partnerships with the exception of Wells Fargo, which operated under Ben Holladay's Colorado Charter until separately incorporated in 1872; Bank of Deseret (1871–72); Zion's Savings Bank & Trust Company (1873–date); and the note-issuing Corporation of Salt Lake City and Zion's Co-operative Mercantile Institution.

		Number of Banks	Paid-in Capital [a]	Average Deposits [b]	Average Value of Bank Notes Outstanding [c]
1874	National banks	2	300,000	249,093	134,950
	Private banks	8	131,000	480,080	17,882
	Total all banks	10	431,000	729,173	152,832
1875	National banks	2	300,000	301,322	90,000
	Private banks	10	158,556	611,198	4,806
	Total all banks	12	458,556	912,520	94,806
1876	National banks	2	300,000	253,336	80,900
	Private banks	7	155,519	589,503	982
	Total all banks	9	455,519	842,839	81,882
1877	National banks	1	200,000	359,544	39,200
	Private banks	8	192,877	627,007	—
	Total all banks	9	392,877	986,551	39,200
1878	National banks	1	200,000	319,911	39,600
	Private banks	8	190,000	714,555	—
	Total all banks	9	390,000	1,034,466	39,600
1879	National banks	1	200,000	572,739	77,800
	Private banks	9	230,000	857,933	—
	Total all banks	10	430,000	1,430,672	77,800
1880	National banks	1	200,000	569,057	178,600
	Private banks	10	206,000	1,233,952	—
	Total all banks	11	406,000	1,803,009	178,600

Source: Data on national banks, and for state and private banks for the years 1878–1880, are taken from summaries found in the annual reports of the Comptroller of the Currency, 1866–1880 (Washington, D. C.). Information with respect to the territorial and private banks for the years 1864–1877 was compiled from United States Office of Internal Revenue, Utah District, Tax Lists, May, 1864, to April, 1873; Assessment book of Richard V. Morris, March, 1866, to December, 1869; Assessment lists and reports submitted by O. J. Hollister, Collector, May, 1874, to April, 1878 (MSS., Bancroft Library, Berkeley, California). Some of the statistics are based on incomplete data. Banks organized after July 1 of any year are not included in the totals for that year.

One of the most interesting aspects of early banking in Utah is the surprisingly small amount of specie kept by these banks. The traditional association of the West with "hard money" might lead one to conclude that pioneer western banking was backed by high reserves of specie. Such was not the case in Utah. Specie represented less than one per cent of the resources of Utah's national banks throughout the period 1866–1880, and for incorporated and private banks the percentage may have been much less. Total cash resources of Utah's national banks (U. S. coin and currency, due from other banks, etc.) varied from 10 per cent of total resources in 1867 to 39 per cent of total resources in 1877, for an average of 25 per cent from 1866 to 1880. Investments (holdings of U. S. bonds, etc.) represented an average of about 28 per cent of

total resources throughout the period 1866–1880, while loans and discounts represented an average of approximately 40 per cent of total resources. There were many occasions, particularly 1871–1873, on which Utah's national banks as a whole had less than the 15 per cent reserve against circulation and deposits required by law.

Another interesting aspect is the rise in circulating medium, principally national bank notes, from a low of less than $10,000 in 1864, to a high of almost half a million dollars in 1873, after which it declined to less than $40,000 in 1877. The increase in currency issues from 1864 to 1873 may be explained by the development of mining and the growth of economic activity generally, but the drastic decline after 1873 furnishes dramatic local evidence of the deflationary influences of the retirement of government bond issues, the decrease in greenback issues, and the resulting decline in national bank note issues. This deflationary tendency is further indicated by the decline in the volume of demand deposits. The combined total of time and demand deposits rose from about $60,000 in 1864 to a high of more than $1,100,000 in 1873; but despite the continued growth of the territory, deposits remained less than this total until 1879, again indicating the strength of the deflationary influences after 1873. There may be doubt that the total amount of money in circulation in the territory declined this much, but there is no doubt of the drastic price declines during this period. The money incomes of Utah residents, being based largely on prices of agricultural and mining products, are certain to have dropped at least proportionally to the national price index which fell from 82.8 in 1871 to 72 in 1876 and 64.4 in 1881.[42] The decrease accounts for many of the economic difficulties in Utah and surrounding states in the middle seventies. There is recurring mention in letters, diaries, and journals of currency shortages in Utah, even as late as 1880.

Most of the loans of the national banks during the period 1864–1880 were extended by means of their notes, even though this privilege was limited. Territorial and private banks, however, were unable to lend money in this way because of the heavy tax on the circulation of their notes. They therefore developed the technique of making their loans by expanding their demand deposits or checking accounts. This emphasis on the creation of demand deposits by commercial banks was in conformity with the national trend and offers an interesting commentary on the unexpected consequences

[42] Bureau of the Census, *Historical Statistics of the United States, 1789–1945* (Washington, D. C., 1949), p. 234.

that a legal provision can have.[43] Evidence is conclusive that the proportion of all deposits represented by demand deposits rose significantly after 1866, and that the bulk of the purchasing power in pioneer Utah, particularly after 1872, came from checking accounts rather than from bank notes.

The year 1880 marks the close of one era in the financial history of Utah. Beginning in 1881 there was a rapid rise in the number and importance of banks. In the next two decades after 1880, a total of 50 banks was established, of which 13 were national banks.[44] In contrast with the period before 1880, most of the banks organized after 1880 were scattered throughout the state, reflecting the economic growth of localities outside Salt Lake City. A total of 33 banks, including eight national banks, was founded outside of Salt Lake City between 1880 and 1900. Total demand deposits and national bank issues in Utah grew much more than proportionally. The years after 1880 thus mark Utah's financial coming-of-age, just as the years before 1880 ushered in the beginnings of a monetary economy there. Those banks established in the 1860's and 1870's which still survived, together with the many banks organized after 1880, accompanied, and to a large extent made possible, the formation of hundreds of proprietorships, partnerships, and corporations in such fields as manufacturing, mining, transportation, wholesaling, and retailing in the 1880's and 1890's. They also sustained a growing agriculture. The expansion of banking in Utah after 1880 thus made possible the transformation of Utah's economy from a frontier co-operative society into the more highly articulated, specialized, and interdependent agricultural-industrial society which exists today.

[43] The operations of banks in the nineteenth century are described in Charles F. Dunbar, *Chapters on the Theory and History of Banking* (New York, 1892); William Graham Sumner, *A History of Banking in the United States* (New York, 1896).

[44] Speirs, "History of Money and Banking in Utah," pp. 107a–107b.

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Department Stores in Down State Illinois, 1889-1943

Standing between expanding productive capacity on the one hand and growing consumer demand on the other, the marketing middleman in our economy has been forced into a succession of adaptive measures, significant among which has been department store retailing. A study of the general developmental pattern in down state Illinois reveals a "spawning era" and identifies three generic antecedents for the department store. Case studies of individual firms reveal the external underlying forces and the innovating policies which made the department store necessary and possible in this geographic area. Since by many criteria the small cities of Illinois were typical of those elsewhere, a study of retail developments there has more than regional implications.

What were the founding dates and original business classifications of the department stores in the medium-sized cities of Illinois? When did they emerge as department stores? [1] This study will show that some became so classified after careers of fifty or sixty years as specialized stores. The decade of the *1870's* was the greatest spawning era for firms that later evolved into department stores. Most of them began as dry goods stores. The first department stores appeared in "down state" (non-Chicago) Illinois in 1889. Since that time it has become increasingly common for a department store to begin as a department store instead of evolving out of a specialty store.

In the United States several new types of retailing institutions have appeared since the Civil War.[2] Department stores were the

[1] The most recent department store definition was used to select the firms studied (see pp. 338–39). A former definition, suggested by a Dun & Bradstreet executive, was used to date the initial department store classifications of today's down state Illinois department stores. The earlier definition cited department stores as establishments ". . . primarily engaged in selling at retail, on a departmentalized basis, dry goods in combination with apparel and accessories, or furniture and home furnishings with annual sales of more than $100,000 or with 10 or more employees." (*Standard Industrial Classification Manual*, Bureau of the Budget [Washington, Government Printing Office, 1940], II, 62.)

[2] Department stores, mail-order houses, *modern* chain stores, supermarkets, and discount houses.

first in this century-long retailing revolution to provide better methods of mass distribution. However, the emergence of department stores in "down state" Illinois lagged a quarter-of-a-century behind similar developments in New York City, Chicago, Philadelphia, and other major cities.

One historian has written that ". . . the department store had not appeared previous to 1860. Increased competition among retail stores was causing more attention to be given to internal economies such as departmental organization and management, but stores with departmental organization were more likely to be general stores or dry goods stores rather than department stores. Department stores would thrive only in an economy that would require large scale retail distribution. This could hardly be expected in a nation that did not yet have more than ten cities over 75,000 population." [3] Ralph M. Hower suggests 1860 as the year that Macy's was no longer "only a dry goods store." [4]

While the stores that were later to become Illinois' down state department stores were being founded, famous merchants – Potter Palmer, Marshall Field, Rowland H. Macy, John Wanamaker and others – in our largest cities were experimenting with methods to expand their market areas. They instituted departmental controls, performed some wholesale functions, added merchandise lines, and advertised extensively. These middlemen stood between expanding productive capacity on the one hand and growing consumer demand on the other. The ". . . many economic changes which we habitually sum up as the Industrial Revolution were reaching flood stage by the middle of the century. Both the factory system and steam transportation encouraged the rapid growth of cities, and all three developments favored large scale operations in both production and distribution." [5]

Merchants large and small made contributions to the development of department stores and retailing at large. However, ". . . without discrediting any other retail merchants of the period from the close of the Civil War to 1900, it seems that in A. T. Stewart's store in New York City, in Wanamaker's three stores in Philadelphia, and in the store first owned and operated by Potter Palmer and later by Marshall Field in Chicago, many of the significant developments in

[3] Fred M. Jones, "Middlemen in the Domestic Trade of the United States, 1800–1860," *Illinois Studies in the Social Sciences*, XXI, No. 3 (University of Illinois, Urbana, Illinois, 1937), 50.

[4] Ralph M. Hower, *History of Macy's of New York, 1858–1919* (Cambridge, Massachusetts, 1943), cf. p. 100.

[5] *Ibid.*, p. 146.

retail [trade] . . . took place."[6] John Wanamaker was among the early mass distributors who advocated a "one-price policy, with everything plainly priced."[7] He opened his first store, Wanamaker & Brown, in 1861. His innovations and those of other great merchants later appeared in the medium-sized Illinois cities, and in other medium-sized American cities, when competitive advantages and increased efficiency were required.

This brings us back to the three original questions: (1) what were the founding dates of today's well-known department stores in down state Illinois? (2) what were their initial business classifications? and (3) when and why did these firms evolve into department stores? Further, what light does the "down state" Illinois department store development throw on general marketing history?

In order to select the firms investigated in this study, the most recent *Department Store* classification used by Dun & Bradstreet, the Federal Reserve System, and most governmental agencies was used. This is the definition embodied in the latest Standard Industrial Classification, which defines department stores as follows:[8]

> Retail stores carrying a general line of apparel, such as suits, coats, dresses, and furnishings; home furnishings, such as furniture, floor covering, curtains, draperies, linens, major household appliances and housewares, such as table and kitchen appliances, dishes and utensils. These and other merchandise lines are normally arranged in separate sections or departments with the accounting on a departmentalized basis. The departments and functions are integrated under a single management. Establishments included in this industry normally employ 25 or more persons.

For the purpose of this study, twenty *Primary Trading Areas* were selected from a recent study of "Retail Trade Areas in Illinois."[9] The areas selected were typical of a great many communities throughout the United States, which are supported by general mixed farming, the cash crops of poultry and dairy products, the payrolls of industrial centers, and the incomes of grain producing areas. The evolution of small city department stores in the heart of the United States would seem to be a good indication of the stages of department store development in other medium-sized cities throughout the country.

[6] Frederic W. Russell and Frank H. Beach, *Textbook of Salesmanship* (New York, 1955), p. 23.

[7] Hower, *History of Macy's*, p. 90.

[8] *Standard Industrial Classification Manual*, Bureau of the Budget (Washington, Government Printing Office, 1949), II, 74.

[9] P. D. Converse, "Retail Trade Areas in Illinois," *Business Studies Number Four* (University of Illinois, Urbana, Ill., 1946), cf. pp. 16–17.

All department stores in the principal city of each of these 20 Illinois trading areas were compiled from a current Dun & Bradstreet "Reference Book." These cities have been plotted on the map of Illinois (see page 341). There were 55 such stores in the 20 cities. Thirty-nine were independent firms and 16 were branch or chain department stores. Data were obtained on 43 stores – 30 of them independents and 13 belonging to chains.

The Spawning Era

What were the founding dates of today's department stores in medium-sized towns of Illinois? Table 1 presents an eight-decade array of founding dates. It shows, among other things, the beginning year, the population then, the firm, and the city. Most of the

TABLE 1

Founding and Development of Department Stores Year, Firm, Location and Population

Founding Year	Population in Founding Year	Firm's Name	Firm's Location	Became Department Store	Population Then
1853	2,600	Ducker	Joliet	1896	11,600
1857	4,500	Bressmer	Springfield	1914	51,600
1858	5,100	Clarke	Peoria	[a]	—
1866	7,100	Livingston	Bloomington	1908	23,200
1866	13,700	Kespohl [b]	Quincy	[a]	—
1866	9,300	Herndon	Springfield	1929	59,100
1866	6,900	Stewart	Rockford	[a]	—
1872	6,900	Willis	Champaign	1904	20,600
1873	14,500	Klemm	Bloomington	1898	20,400
1873	24,100	Schroeder [c]	Quincy	[a]	—
1874	6,900	Robeson	Champaign	1891	11,100
1879	11,800	Block & Kuhl	Peoria	[a]	—
1880	22,800 [d]	Szold	Peoria	[a]	—
1884	7,800	Bradley [e]	Moline	1915	24,200
1886	19,700	Myers	Springfield	1925	59,100
1889	29,300	Bergner	Peoria	1889	29,300
1889	11,600	Felman	Joliet	1889	11,600
1891	23,500	Ashton [f]	Rockford	1927	65,500
1892	15,400	Link	LaSalle-Peru	[a]	—
1893	9,000	Fair	Kankakee	1893	9,000
1895	19,100	Ackerman	Elgin	1895	19,100
1897	11,400	Meis	Danville	1897	11,400
1897	11,100	Lewis	Champaign	1897	11,100
1898	19,600	Grometer	Aurora	1898	19,600
1903	9,400	Eisenberg	Waukegan	1903	9,400

Founding Year	Population in Founding Year	Firm's Name	Firm's Location	Became Department Store	Population Then
1907	31,100	Weise	Rockford	1907	31,100
1909	23,300	Roland	Bloomington	1918	25,700
1910	16,100	Goodman	Waukegan	1910	16,100
1912	69,900	P. Dry Goods	Peoria	1912	69,900
1912	24,200	Yager-Lundt[b]	Moline	[a]	—
1915	34,600	Cohen	Joliet	1925	38,400
1920	27,500	Spiess[g]	Elgin	1920	33,000
1925	65,500	Owen	Rockford	1925	65,500
1927	65,500	Block & Kuhl	Rockford	1927	65,500
1928	36,400	A. Dry Goods	Aurora	1928	36,400
1929	36,400	Block & Kuhl	Aurora	1929	36,400
1929	38,400	Block & Kuhl	Joliet	1929	38,400
1931	15,000	Young	Mattoon	1931	15,000

[a] Unavailable. Firms for which founding date was unavailable were deleted from this table.
[b] Now Block & Kuhl (Kespohl acquired in 1936 and Yager in 1935).
[c] Now Ely & Walker (acquired in 1943).
[d] Census figures taken from beginning of decades. U. S. Census.
[e] Now New York Store (acquired in 1915).
[f] Now Rockford Dry Goods (acquired in 1925).
[g] Was Geo. M. Peck Co. prior to 1920.

companies founded in the first four decades (1850–1890) were in the area from Peoria to the South. (See map of Illinois.) From 1891 until 1929 the area north of Peoria shows the most business entries. The pattern of establishing these retail firms is roughly in the direction of original settlement and population growth in Illinois. Illinois was settled from South to North. Also, after 1890 60 per cent of the firms reported as founded in this study were founded as department stores.

Original Business Types

The second question is: what were the original business classifications? Nearly three-fourths of the stores that developed into department stores started as dry goods stores. The percentages by classifications were as follows:

Dry Goods stores	73.5 per cent
General stores	13.5 " "
Clothing stores	9.0 " "
Variety stores	5.0 " "

Early developments in textile production caused dry goods stores to be one of the first kinds of specialty stores to appear. The men's

clothing industry also developed early. It dates from the second decade of the nineteenth century. George Opdyke, once Mayor of New York City, was one of the first to engage in this industry. By 1835 "wholesale manufacturing of a medium-grade of ready-made clothes for men began on a small scale in New York. . . . The invention of the sewing machine in 1850 gave great impetus to this [men's clothing] industry."[10] As early as 1831 a store in New York City,[11] Wells & Patterson, dealt exclusively in men's furnishings. Stores of this type were common by the fifties.[12]

Innovations in the production of dry goods and men's clothing had considerable influence on the early merchants of Illinois. By the end of the Civil War, the transfer of production from the household to the factory was practically completed. Home-made clothing became something of historical interest and ready-made clothing swelled the channels of distribution. The earliest of Illinois' down state dry goods and general stores that advertised very much advertised men's clothing along with boots and shoes. "The wholesale clothing trade [in Chicago] grew from practically nothing in 1850 to an annual volume of $2,000,000 in 1860 with several firms competing for the trade. The boot and shoe trade, which had first been established in Chicago in 1851, grew rapidly until by 1859 there were eleven houses engaged in wholesaling boots and shoes, not including firms who also conducted retail operations."[13] By ". . . 1864 Chicago had become the dry goods center of the country outside New York."[14]

It was not uncommon to find the wholesale merchant providing capital for the retailer just starting in business. So-called "opening stocks" were in many cases sold on long terms. Probably this credit made it possible for many stores to be established which otherwise could not have been opened. Mr. Frank Robeson, son of the late F. K. Robeson, founder of Robeson's in Champaign, Illinois, a firm that evolved into a department store, said that his father would

[10] Census Reports, 1890, Vol. IX, Manufacturers Part III, Special Reports on Selected Industries, Men's Clothing, p. 296.

[11] C. H. Haswell, *Reminiscences of New York by an Octogenarian* (New York, 1896), p. 262.

[12] Russell & Beach, *Textbook of Salesmanship*, p. 25. "John Wanamaker . . . started as a clerk in the Tower Hall Clothing Store for Men in Philadelphia in 1857. . . . Four years later, . . . he formed a partnership with his brother-in-law, Nathan Brown, selling clothing for men and boys. . . ."

[13] J. Moses and J. Kirkland, *The History of Chicago, Illinois* (Chicago, 1859), I, 297.

[14] A. T. Andreas, *History of Chicago* (Chicago, 1884), III, 716.


MAP OF
STATE OF ILLINOIS
Freeport
Rockford
Waukegan
Elgin
Chicago
Aurora
Moline
La Salle-Peru
Joliet
Galesburg
Kankakee
Peoria
Bloomington
Champaign-Urbana
Danville
Quincy
Decatur
Jacksonville
Springfield
Mattoon
St. Louis
Mt. Vernon
* Responding Cities
• No Response

never have been able to stock his store initially (1874), had it not been for long-term credit. The credit was extended by a Chicago wholesale dry goods company doing business as Carson, Pirie, Scott and Company.

Dry goods wholesalers and other jobbers served a vital function between the *1860's* and the *1890's*. They contributed in great measure to the start of many firms that are today's department stores, supplying them with "opening stocks" and long-term credit. However, during the decade of the *1880's* a three-pronged offensive was launched against the wholesaling institutions. "During this period he [the wholesaler] was subjected to numerous stresses and strains arising from the wholesaling activities of manufacturers and retailers and from various consumer movements intended to eliminate the middleman. These activities became especially significant after about 1880 . . . this was the date roughly marking the disappearance in many lines of the seller's market." [15] Previous to this, the producers experienced little difficulty disposing of their output and were *willing* to permit wholesalers to handle their products — to finance the retailers.

Wholesalers had expanded stocks and increased product lines handled. This circumstance tended to inhibit product-by-product and item-by-item sales promotion. Manufacturers who wanted to hold or improve their market position now commenced to deal directly with the large retailers.[16]

> Another powerful influence which has tended to reduce the importance of the wholesale dealer has been the great increase in the size of the retail establishments in many cities. Department stores buy goods of many classes, often the entire output of mills. . . . These large retailers, . . . tend more and more to deal directly with manufacturers, in fact often ordering in advance of actual production the particular styles which they desire. . . . The large retail dealer knows, at least so it is claimed by the representatives of department stores, more accurately than the jobber just what the wants of the consumer are, and the danger of producing unsalable commodities is therefore reduced by this change in the methods of business.

When the wholesale dry goods industry began to decline in importance in down state Illinois, there was a gradual development of department stores. This leads us to the third question. When and why did certain firms become department stores?

[15] Bill R. Moeckel, "The Development of the Wholesaler in the United States, 1860–1900" (Ms. Ph.D. Thesis, University of Illinois, 1953), p. 176.
[16] Industrial Commission, *Final Report*, XIX (Washington, 1902), 547.

Department stores originated in three ways. First, some evolved from retail specialty stores. Secondly, some independent department stores were founded *as such*. Thirdly, branches of chain organizations sometimes filled voids in the marketing structure.

The first of the 43 department stores to be studied which developed from a specialized category departmentalized in 1891. The last of this group did so in 1929. The averaged or typical year was 1910. The founding of independent department stores ranges from 1889 to 1931. The averaged year for these was 1908. Branches of chain department stores were established from 1927 to 1943, with most of such stores being set up during the *1920's* and the averaged year being 1929.

Department stores were established in rough relationship to the settlement of the state. The department store typically appeared south of Peoria in 1907 and north of Peoria in 1919. Table 1 (columns 4 through 6) shows the chronological emergence of department stores by city and by city size.

The development of department stores in the medium-sized cities of Illinois was caused by certain external and dynamic factors. One of these factors was the evolution of the women's clothing industry. It revolutionized retailing institutions. Different products of the industry necessitated differing sales appeals and separate areas of display and sale. When women's ready-to-wear was removed to a separate floor a store had clearly ceased to be a single unit.[17]

> The manufacture of women's clothing as an industry of any importance did not start until the early *60's*; at that time only outer garments, like cloaks and mantillas, were manufactured. Prior to 1880 . . . [the industry] was confined almost entirely to cloaks. In the beginning of the *80's* an additional branch of the industry, known as ladies' suits was established. During the last decade [the 1890's] not only ladies' suits and cloaks, but the different articles which go under the collective name of *lingerie* have been put on the market ready-made, and of the last class only a very small proportion is now custom made. . . . Another branch of the industry . . . is the manufacture of shirt waists. All grades of women's underwear are now almost exclusively produced as a factory product.

The conversion from a barter and credit to a cash and credit system of buying at retail also encouraged the development of institutions capable of mass merchandising. "Big business, measured in millions of dollars could never have been developed on the basis of barter. Department stores would never have come into existence;

[17] Census Reports, IX, 300.

neither would . . . large corporations producing durable consumer goods such as automobiles, electric refrigerators, vacuum cleaners and electric washing machines, products which must obtain large and steady national distribution in order to be manufactured in line production at low costs." [18]

The interurban, which was pioneered by Frank Julian Sprague, eventually found its way into the Grand Prairie (Central Illinois). Ultimately it served 85 per cent of the cities in our area of study. "What Sprague did was to substitute electric power for animal and cable power. . . . He was not the first to envision the use of electric power. . . . But he was the first . . . [to apply it] at Richmond, Virginia in 1888. He demonstrated that electric power was the general solution to the rapid transit needs . . . [in] Chicago in 1898." [19] The development of the interurban lines in (and also between) most of the primary shopping centers in down state Illinois contributed to, and was accelerated by, the growth of department stores. The electric interurban lines in Illinois – a transitional phase between steam railroads and the motor car, passenger and truck – contributed immensely to the economic development of urban and rural down state Illinois. At first, the interurbans appeared to be the outgrowth of city lines. With the disappearance of the cable- and horse-drawn cars, the street car companies began to extend their lines out into and beyond the early suburbs. A thirty-five-mile line from Danville to Champaign was placed in operation in 1903. By 1907 the completion of a link between Champaign and Decatur, Illinois, connected Peoria, Bloomington, Danville, Champaign, Decatur, Springfield, and other Illinois cities with Saint Louis, Missouri. (See map of Illinois.)

"By 1910 the interurban had become a major element in the transportation picture of the midwest. . . . The interurban's most important contribution was providing, for the first time, efficient and speedy service from rural areas and small towns to adjacent cities . . . breaking down the isolation of farms . . . greatly facilitated travel to market. . . . The trend toward shopping in larger centers in preference to rural and village stores, which became so marked after the development of the automobile, was started by the interurban." [20] Shopping became routinized and simple instead of difficult and time consuming.

[18] Roy A. Foulke, *The Sinews of American Commerce* (Dun and Bradstreet, Inc., 1941), p. 52.

[19] Harold C. Passer, "Frank Julian Sprague," William Miller, Editor, *Men in Business* (Cambridge, 1952), p. 216.

[20] John F. Due, "The Rise and Decline of the Midwest Interurban," *Current*

There remains to be answered the question of how certain down state specialty and general stores happened to develop into department stores. Often the transition was so gradual that it is not clearly remembered or well recorded. What were the circumstances? Let's take a closer look at some representative department stores.

Mr. Frank Robeson, Champaign, Illinois, owner and manager of "Robeson's," the firm his father founded in 1874, refused to name the year that Robeson's became a department store. He said, "There have been departments as long as I can remember, but to say when the firm departmentalized is impossible. Let's just say it grew until it was a department store." He credited mercantile credit as a chief factor that permitted entry and survival. He added that hard *work*, hard *roads* and hard *money* were among the important ingredients that built "Robeson's."[21] The firm was called Robeson's Farmers Store from its inception in 1874 until 21 February 1891.[22]

The transition from a dry goods to a department store *is* nearly impossible to date precisely. However, some excellent guideposts began to appear in the spring of 1891. Home furnishings, one of the criteria of the department store, commenced to appear in the advertisements regularly. The first mention of a department appeared in the *County News* on 16 May 1891 – the Shoe Department. Thereafter in rapid succession – 30 May, 6 and 13 June – the F. K. Robeson & Bro. advertisement in the *County News* insisted ". . . that you can save 25 per cent on Furnishing Goods in our Furnishing Goods Department." A "Clearing Sale for Remodeling" was advertised in the 4 July 1891 issue of the *County News*. This sale continued until early in August. Advertising tapered off to an institutional type until 26 September 1891. On that date a portion of a full-page display advertisement in the *County News* carried the following notice:

> We want every person who wears boots or shoes to read this. We make the statement that we can afford and are selling at one-half the profit at which the exclusive boot and shoe houses are selling at [sic]. To the casual observer this may seem like a bold statement. Our prices and stock will convince the most doubting mind.
>
> There was a time 20 years ago when houses carrying *exclusive* lines were in the lead. There has been a great change in 20 years. The great retail houses

Economic Comment (University of Illinois, Urbana, Illinois, Vol. 14, No. 2, Aug., 1952), p. 46.

[21] Hard *money* in this instance meant a money economy in contrast to a barter economy.

[22] *Champaign County News*, Champaign, Illinois, 21 Feb. 1891. This was the final advertisement to incorporate in the signature "The Farmers Store." The advertisement featured home furnishings.

of the United States have recognized the fact that the profit in merchandise has been growing smaller each year. It is now a question of volume of business and reducing the cost of selling every dollar's worth of goods to the lowest possible point. How and where it is accomplished is in the large retail *department* stores. It only costs a large *department* store about half as much to sell a dollar's worth of goods as it does an *exclusive* dealer.

We have enlarged our place of business, giving 50 per cent more shelf room, and now have one of the best lighted and most complete *department* houses in the state, and are carrying twice as many boots and shoes as last year. [Italics added.]

Departmentalization appears to have been completed during the remodeling and subsequent stock of merchandise. On 13 February 1892 the advertising substantiated this view with the following copy: "We have increased the stock in each one of our 14 departments."[23] Precisely a year after the firm discontinued the name, "The Farmers Store," Robeson's commenced to include the name DEPARTMENT STORE in its advertising. The Champaign-Urbana City Directory did not change Robeson's name to ROBESON'S "The Big Department Store" until 1898, but the evidence points to 1891 as the year Robeson's became a department store.

The second department store in the Champaign-Urbana (twin-city) trading area was Lewis's Economy Store – now W. Lewis & Co. This firm was founded as a department store. It opened for business on Monday morning, 24 May 1897.[24] On Wednesday, 26 May 1897, the following item appeared in the *Gazette*:

LEWIS'S ECONOMY

The opening of Lewis's "Economy" Store was a grand success, and for several hours during each day since the crowds were so great that it was almost impossible to wait on them all in the manner I would like to have done. . . . You can be assured of a hearty welcome and cordial treatment whether you purchase or not. Goods are strictly as represented. One low price to all. Money cheerfully refunded on all unsatisfactory purchases.

We extend a cordial invitation to outside parties to call and inspect the following departments:

[19 departments were listed . . .]

W. Lewis, Proprietor.
Neil Street, Odd Fellows Building
Opposite City Building.

In the same issue of the *Gazette* there were news items on the Dingley Tariff, some Spanish indiscretions in Cuba, and the growing use of "long distance telephones."

[23] *Champaign County News*, cf. 13 Feb. 1892.
[24] *Ibid.*, 22 May 1897.

Mr. Leonard Lewis, head of the firm his father founded, credits the interurban, urbanization, mass production, and population increase as the primary factors contributing to department store growth. He credited his father with excellent timing in starting his firm in Champaign in 1897, in time to benefit from the prosperity that got under way following the outbreak of war with Spain.[25]

Mr. Leonard Lewis said that open charge accounts have always been one of the many services of the firm. He recalled, "Early in the company's history accounts were sometimes continued for as long as a year or two, but 'until the corn crop' was the more usual term. The thirty day account was born with cash crops and pay checks from the jobs that accompany the growth of a city."

To the question, "When did your firm begin to integrate and perform some wholesale functions?" Mr. Lewis mused, "Probably after the 1907 panic on fashion goods. By the *1920's* or early *1930's* the dry goods wholesalers had largely disappeared from the local scene. We did more and more direct buying by departments. . . . It has been almost totally direct for the past twenty years. Our *vertical integration* has been by degrees." The firm dropped the name "Lewis's Economy Store" and assumed the more dignified title of W. Lewis & Co. during World War I.

The third firm to become a department store in the Champaign-Urbana trading area, G. C. Willis Company, has one of the longest business histories in the community. It dates from 10 April 1872. The firm opened as Scott & Willis "The Philadelphia Store." The partners, Harry Scott and Godfrey C. Willis, were from Philadelphia. They brought many marketing innovations with them and initiated a level of business ethics that had not been practiced in Champaign previously. Two of the most important new policies were the "one price policy" and its companion, the "money back guarantee." [26]

[25] The selection of Champaign, Illinois, as the site for the firm was an accident; but the time was carefully considered. Mr. Wolf Lewis, the original proprietor of W. Lewis & Co., had migrated from Troy, New York, to enter the mercantile business with a brother George in Marinette, Wisconsin, in 1880. George Lewis had established the business 5 Dec. 1876. Marinette was a "logging" town. Apprehensive about the future of the community, Mr. Lewis asked a brother-in-law in the dry goods business in Kankakee, Illinois, to watch for a favorable location. When a store location opened up in Champaign, Mr. Lewis leased the space and moved his store stocks to Champaign.

[26] *Gazette*, 3 April 1872. This issue carried the first advertisement of the firm Scott & Willis, which opened for business one week later, 10 April. "The Philadelphia One Price Family Dry Goods Store" advertised "Satisfaction Guaranteed to Every Purchaser, All Goods Marked in Plain Figures and *One*

Scott and Willis was dissolved upon the death of Harry Scott in 1876. The firm became G. C. Willis Co. on 10 March 1876. Mr. Harry Willis, who now heads his late father's firm, said that he would pick 1914 as the year of transition from a dry goods store to a department store. The building which the firm now occupies was completed in 1914. But he stated that the store did considerable direct buying as early as the turn-of-the-century.

A review of the firm's advertising points to 1904 as a more probable year of transition. The 20 January 1904 issue of the *Gazette* carried the first advertisement with references to departments, "The Linen Section this season is far in advance of our previous efforts in this department." The date of 24 February 1904 is the last time that the name "Willis' Philadelphia Store" was used. The ad copy read, "Have You Seen the New Golf Blouse for Ladies?" The first use of the signature WILLIS' was on 2 March 1904. Department advertising, such as, "Cloak and Suit Department 2nd Floor.", began on 16 March.[27]

Summary

The three department stores in Champaign-Urbana are representative of the transition to department stores in the medium-sized towns of Illinois. Robeson's was the first of the 43 stores studied to emerge from a specialized type of retailing and become a department store. Internal economies — specialized buying and selling skills by departments and integrated management and store services — permitted lower prices. Lower prices and wider consumer selections brought

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Price." In the same 3 April issue of the *Gazette*, the following article appeared on page one:

> New Firm. — Messrs Scott and Willis this week appear before the public and take a place among the businessmen of this city. They hail from the model city of Philadelphia, but having cast their fortune here, expect to be with us and for us. May they meet with a cordial reception and the support and patronage their way of doing business merits. They are located at No. 7 Main St. . . . As will be seen from their posters and advertising, they mean business and intend that their campaign for public favor shall begin at once. . . .

A survey of the preceding fifteen years of the advertising (back to the founding date of the *Gazette*) reveals no consistent effort to develop a "one price policy." The fact that the merchants "hailed" from Philadelphia seems significant. Willis had worked as a dry goods clerk in Strawbridge and Clothier, one of the oldest firms in Philadelphia; prior to that he had apprenticed as a "draper" in London. This rigid training and the exposure to Wanamaker's advertising in Philadelphia had schooled Willis in high business ethics and effective advertising methods. The advertising for the first few years was remarkably similar to Wanamaker's.

[27] *Gazette*, Jan. through March, 1904, and *passim*.

greater volume. Diversification minimized the risk common to stores with just a few lines of goods. The year 1891 was a year of reduced incomes in East Central Illinois and Robeson's became a department store, among other reasons, as a defensive measure. The opening of Lewis' department store was well timed, and prudent management insured success. Willis' expanded into a full-sized department store in time to benefit from the increased activity of the World War I era.

The development of department stores in down state Illinois had to await urbanization, because the concentration of consumers for shopping type goods had to be great enough to support the "bundle of services" and simultaneously permit the advantages of large-scale operation. The original classification of most of the department stores examined in this study was the dry goods store. Integration for most firms was a slow steady process prompted by changes in consumers' demand, the activity of discontented manufacturers trying to bypass the wholesalers, and the efforts of retailers attempting to gain advantages over rivals. What was happening in the retail trade in Illinois may be a clue to what was simultaneously happening in many sections of the United States.

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The Concentration of Banking Power in Nevada: An Historical Analysis[1]

Nevada commercial banking has, from the start, been successively dominated by three organizations. The fact that these organizations rose to power under differing circumstances and by differing means suggests how deep-rooted and long-lived the propensity toward economic concentration in some environments may be. In such environments the manner in which quasi-monopolistic powers are exercised has real cogency. Under two of the three historical situations studied, service to the consumer has not been noticeably different from that provided in more competitive banking areas.

The history of commercial banking in Nevada has been characterized by a virtually continuous concentration of banking power. It is the purpose of this paper to describe and analyze the three different and unrelated organizations in which the balance of banking power has been concentrated throughout almost all of Nevada history. This analysis is preceded by a survey of economic conditions which gave rise to Nevada's first commercial banks.

Introduction

The economic birth of Nevada resulted from the discovery of the famous Comstock Lode in 1859 at Virginia City. Just prior to this time the population of Nevada (then the Territory of Utah) was about 3,500, with 387 of this number being soldiers stationed at Fort Churchill.[2] At that time Nevada was a frontier, supporting its meager population with the products of farms located in the few fertile valleys, the small profits of gold panners who worked the streams, and wildlife which was present in great supply.[3]

[1] The author appreciates the helpful suggestions of Professors Thomas Mayer and John L. O'Donnell, also of the University of Notre Dame. They are not responsible, however, for any errors which may occur in this article.

[2] U. S. Treasury Department, *Report on the Internal Commerce of the United States for the Year 1880* (Washington, U. S. Government Printing Office, 1891), p. 592.

[3] R. L. Fulton, *Nevada's Natural and Industrial Resources* (a pamphlet published by the State of Nevada Printing Office, 1904), p. 4.

The discovery of the Comstock Lode, and the economic activity which resulted from it, gave rise to the need for banking services in the community of Virginia City. Banking in this newly founded mining camp was primitive. In the earliest days of the great Comstock Lode discovery, when gold extracted from surface mines was the main source of income, miners entrusted their gold dust or bullion to one Lyman Jones, the proprietor of a canvas tent hotel.[4] Jones kept sacks of gold, each labeled with the owner's name, under his bed in a drygoods box, "without charge and without responsibility."[5] The existence of bullion in ever-increasing quantities suggested the need for safer depositories, as well as other banking services not within the scope or capacity of Lyman Jones.

Thus, late in 1859 the first legitimate bank was established in the Territory of Utah by the Wells Fargo company.[6] As profit expectations in the mining business continued to ascend, investors and businessmen were quick to compete for a share in the profits which were due to be made in the field of banking. By the end of 1864, the year in which Nevada became a state, no less than 13 banks were serving the needs of Virginia City and its citizenry, then 20,000 in number.

This was the real beginning of Nevada's economic life, and of commercial banking which served it. From this point until the present time, commercial banking in Nevada has been dominated by three different and completely unrelated entities. The first of these entities was the Bank of California which established itself as a great banking and mining power at Virginia City in 1864.[7] In 1875, coincident with the precipitous decline of mining activity on the Comstock Lode, the strong economic grip of the Bank of California was decisively broken.[8]

The second great entity rose to its position of power in the field of Nevada banking in 1900, the date of Nevada's second and last major precious mineral discovery. This group, fathered by Senator

[4] C. B. Glasscock, *Big Bonanza: The Story of the Comstock Lode* (Portland, 1931), p. 147.

[5] *Ibid.*

[6] Taken from material dictated by F. L. Lipman, late chairman of the board of directors, Wells Fargo and Union Trust Company. This information was furnished the writer by Mr. T. Simpson, historian of the Wells Fargo Bank History Room, 18 Feb. 1953.

[7] Thomas Wren, *A History of the State of Nevada: Its Resources and People* (New York, 1904), pp. 548–49.

[8] Eliot Lord, *Comstock Mining and Miners*, Monograph of the United States Geological Survey (Washington, U. S. Government Printing Office, 1883), p. 314.

George Nixon, was developed and managed by George Wingfield until it was fatally weakened by the effects of the depression in 1932.

From the time of the dissolution of the Wingfield Group in 1933 to the present, the First National Bank of Nevada (a subsidiary of the TransAmerica Corporation) has dominated the Nevada banking industry. The analysis of these three groups involves a review of the factors which contributed to the rise and/or decline of these controlling powers, their operating policies and the degree to which they controlled the supply of banking services in Nevada.

The Bank of California

Banking in Nevada was but five years old in the year 1864. Four years of intensive mining activity on the Comstock Lode had attracted more than a dozen banking institutions, all competing with one another for a share in the profits to be realized from the accounts of the many mining companies and the thousands of miners. It was at this time that an organization had come to rule not only banking in Virginia City, but almost all aspects of its economic life. This organization was the Bank of California.

On 5 July 1864 the newly created Bank of California began its career in San Francisco with $2,000,000 of gold lying in its vaults — a financial giant of the early West.[9] William Chapman Ralston, although designated as cashier of the new Bank in its articles of incorporation, was in charge, with full responsibility for the conduct and management of the Bank's affairs.[10] From its beginning in 1859, the Comstock Lode had fascinated Ralston. He had great faith in the seemingly endless supply of wealth which began to pour from the mines through his old bank, the dissolved Donahoe, Ralston and Company, Bankers. So great was his faith in the Comstock Lode that he sunk most of the Bank's new subscriptions into Comstock Lode properties.[11] Thus, the Bank of California and the Comstock Lode became almost totally interdependent.

Shortly after the Bank of California had invested heavily in Comstock Lode properties, almost every mine in the area became flooded.[12] As a result, Comstock securities listed on the boards of the San Francisco Stock Exchange crashed. Coincident with this event, Ralston was informed that his Bank's trusted Virginia City

[9] C. G. Tilton, *William Chapman Ralston: Courageous Builder* (Boston, 1935), p. 94.

[10] George D. Lyman, *Ralston's Ring* (New York, 1937), p. 42.

[11] *Ibid.*, pp. 32–33.

[12] *Ibid.*, p. 34.

correspondent, the Stateler and Arrington Bank, had failed.[13] In view of these two events, Ralston decided to open an agency of the Bank of California at Virginia City. The continued success of the Comstock mines was of vital importance to the Bank, and the time had been reached when strong and fully co-ordinated action was necessary. Thus, the Agency of the Bank of California, with William Sharon as its manager, was opened in Virginia City on 6 September 1864.[14]

In view of the fact that the Bank of California had chosen to gamble its life on the Comstock Lode, Sharon was ordered to offer funds to the mining companies for the purposes of installing water pumps in the flooded mines and continuing exploration for new veins of ore. Through the doors of the Agency passed almost every mine owner, mill operator, and businessman on the Comstock Lode, each with the hope of obtaining funds available from no other source. Those men whose firms showed any promise at all were granted loans.

The Agency's credit policy did much to inject new life and hope into the then dejected people on the Comstock Lode. The warm feeling toward the Bank of California resulting from its liberal and speculative credit policy was not of long duration, however. Not until the borrowers returned to the Agency's office anxious to renew their notes did they realize the full purpose of the Bank's policy. Notes that came due and were not paid were called. Foreclosure proceedings were started promptly if such notes were not paid immediately. By the end of the year 1865, the Bank of California had taken over the most valuable properties on the Comstock Lode and the majority of stock in almost every mining company.[15] The Bank also controlled subsidiary industries which supported the mining industry — timber producers, water facilities, transportation, and so on.[16] Thus, in 1865 the Bank of California had established itself in a strong position of command over almost all economic life on the Comstock Lode. The preconceived plan to monopolize the Comstock Lode had been carried through.[17]

The Bank of California's position of power was secure until 1873.[18] At this time, however, a series of new mineral discoveries,

[13] *Ibid.*, pp. 34–35.

[14] E. B. Drury, *An Editor on the Comstock Lode* (Palo Alto, California, 1948), p. 14.

[15] Oscar Lewis, *Silver Kings* (New York, 1947), pp. 38–39.

[16] *Ibid.*, p. 40.

[17] Lyman, *Ralston's Ring*, p. 54.

[18] Precise statistical and financial data concerning the dominance of the Bank

cleverly withheld from the grasp of the Bank of California, were consolidated under the control of another group consisting of John W. Mackay, James G. Fair, James C. Flood, and William S. O'Brien. When these men put their mines into production, the greatest of all Comstock strikes, the so-called "Big Bonanza," became known to the world.[19] The untimely occurrence of two other events added to the difficulties of the Bank of California. The first of these concerned the precipitous decline in the value of mineral output by the Bank of California mines; the second was the establishment of the Nevada Bank of San Francisco by Mackay, Flood, Fair, and O'Brien in 1875.[20] Thus, the Bank of California was eclipsed not only in the area of mining activity, but also in the field of banking. After opening its doors in San Francisco, the Nevada Bank of San Francisco established an agency in Virginia City to facilitate the operations which had made formation of the Bank possible.[21]

This series of events resulted in a devastating loss of confidence in Comstock Lode securities, and in the Bank of California itself. This loss of confidence resulted in the crash of mining securities on the boards of the San Francisco Stock Exchange and a run on the Bank of California which, on 26 August 1875, was forced to suspend payment.[22] Thus, an era of banking, not only in Nevada but in California, came to an end.

In 1877, the "Big Bonanza" mines ceased to produce, thus ending the life of the Comstock Lode as a profitable mining area.[23] Within a short time thereafter, a lull in banking activity and other forms of business connected with the mining industry marked the end of this particular period of Nevada history.

The Wingfield Group

As the Comstock Lode came to be little more than an historical landmark in Nevada history, a timely new series of gold and silver strikes enabled the state to maintain its population and its standing in the world as an important producer of gold and silver. In the

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of California is not available. These data were apparently destroyed in fires occurring in Virginia City in the years 1863 and 1873, or in the great San Francisco fire of 1906.

[19] Lord, *Comstock Mining*, pp. 311–14.

[20] Lyman, *Ralston's Ring*, p. 251.

[21] Tilton, *William Chapman Ralston*, p. 338.

[22] *Ibid*., pp. 344–45.

[23] An article in the *Virginia Evening Chronicle*, 13 Feb. 1877, cited by C. H. Shinn, *The Story of the Mine: As Illustrated by the Great Comstock Lode of Nevada* (New York, 1901), p. 212.

year 1900, silver was discovered at Tonopah. Soon after this time, many other strikes were made at Goldfield, Rhyolite, Rawhide, and other locations in the southwestern section of the state. Towns mushroomed into existence as new concentrations of ore were located. People rushed into the strike areas bringing with them the energy, plans, and materials needed for the construction of new communities. These new centers of activity inevitably required one or more banking institutions. By the end of 1907, however, mine production fell drastically, thus signalling the decline of Nevada's last major precious minerals discovery, and what was then her primary source of income.[24]

Upon examining the development of banking in Nevada after the decline of the Comstock Lode and the Bank of California as a power in Nevada, two names appear with great regularity – those of Senator George Nixon and George W. Wingfield. These men took an active part in the early development of both mining and banking in the new mining area.[25] As a result of conservative management of their mining and banking interests, their banks survived the Panic of 1907.[26] Upon the death of Senator Nixon in 1912, Wingfield assumed responsibility for the holdings of his deceased partner and proceeded to build a banking empire of his own. This empire reached its zenith of strength and influence just before the time of the great wave of bank failures in 1932.

In 1931 there were 11 state and two national banks in the Wingfield Group. These represented 40.6 per cent of the 32 banks operating in Nevada at that time. Using total deposits, paid-in capital, and assets and liabilities as a basis of measurement, however, the Wingfield Group exercised significantly greater power in the market than is suggested in the foregoing statistics. As shown in Table 1, banks in the Wingfield Group accounted for 57.2 per cent of deposits held by all Nevada banks in 1931, 68.8 per cent of all paid-in capital, and 59.9 per cent of all assets and liabilities. It is also important to note that from the point of view of population, banks in the Wingfield Group were located in the more important communities of Nevada. In 1931, Wingfield Group banks were located in the vast majority of all trade centers. These centers ac-

[24] Glasscock, *Big Bonanza,* p. 314.

[25] Information obtained from Mr. George W. Wingfield in a personal interview, Reno, Nevada, 7 Nov. 1952. It is interesting to note that, according to Mr. Wingfield, bankers in this entire new mining area did not invest their funds directly into mining shares as had been the practice with bankers on the Comstock Lode.

[26] *Ibid.*

counted for 43.9 per cent of Nevada's total population.[27] In view of the fact that Nevada's rural population in 1930 was 37.8 per cent of

TABLE 1

THE PERCENTAGE OF TOTAL DEPOSITS, PAID-IN CAPITAL, AND ASSETS AND LIABILITIES HELD BY THE WINGFIELD GROUP IN 1931

Institutional Classification of Wingfield Units	Per Cent of Total Deposits of all Banks	Per Cent of Total Paid-In Capital of all Banks	Per Cent of Total Assets and Liabilities of all Banks
State Banks [a] [b]	71.8	78.1	78.2
National Banks [c]	42.3	60.0	43.6
State and National Banks	57.2	68.8	59.9

Percentages derived from data obtained from the following references:

[a] *Appendix to Journals of Senate and Assembly, 1933* (Carson City, Nevada, 1933), I, 9–19.

[b] Comptroller of the Currency, Washington, D. C.

[c] *Moody's Manual of Investment: Banks, Insurance, Real Estate, Investment Trusts, 1932*, J. L. Parker, Editor-in-Chief (New York, 1932), pp. 497, 758. This source for individual bank data.

the total population, Wingfield banks were serving 82.6 per cent of the people living in Nevada's primary trade centers.[28] Las Vegas was the only community of significant size (5,952 in 1930)[29] in which a Wingfield bank was not located. It can be said, then, that the financial power of the Wingfield Group was, in the geographic sense, well-distributed. There is, however, no evidence to suggest that the Wingfield Group behaved as a monopolist. Banks in this organization supplied ample credit and other banking services at rates comparable to those charged by its competitors in Nevada and those charged by banks in other western states.

Causes for the development of this banking organization were primarily related to the personal resources of its founders, Senator George S. Nixon and George W. Wingfield. These men, in essence, were empire builders. They possessed not only the economic and political strength with which to take advantage of opportunities which presented themselves in Nevada just at the turn of the century, but also the ability to operate successfully and simultaneously their combined banking, mining, and political interests. The Wingfield-Nixon banks survived the impact of the Panic of 1907 (the great majority of their competitors did not) to dominate the banking field.

[27] U. S. Bureau of the Census, Fifteenth Census of the United States, 1930, *Population* (Washington, U. S. Government Printing Office, 1932), III, Part 2, 147–48.

[28] *Ibid.*

[29] *Ibid.*

They were also successful in adjusting their operations to serve the changing structure of the Nevada economy in the years following the Panic of 1907, a basic change which emphasized the growing importance of agriculture and the decline of mining in the state. Thus, their timely and astute investments in the period 1900–1907, and their capacity to adjust their business affairs to the dynamic changes which took place in the structure of the economy were factors which permitted the Wingfield Group to mature. A final consideration of causes for the development of the Wingfield Group is related to several other significant characteristics of the Nevada economy in the period 1900–1930. Nevada was a sparsely populated state, and one which was in a primitive stage of social, economic, and political development. Virgin markets demanded services such as those offered by the Wingfield Group. Once established as a leader in the field of banking in these new markets, the organization was in a favorable position to protect itself from new competition. History is replete with examples of empire building in societies which were struggling through various stages of infancy. The Wingfield Group example indicates that in this respect Nevada was no exception.

In the disastrous year of 1932, 20 of Nevada's total of 32 banks were closed. The entire Wingfield system of 13 banks was among those which failed to reopen immediately following the President's bank holiday. Despite his desperate efforts to re-establish his system of banks, Wingfield was finally forced into bankruptcy. E. J. Seaborn, Superintendent of Banks in 1932,[30] gave two reasons why Nevada banks, in general, did not survive the effects of the economic situation which prevailed in 1932, *viz.*, over-banking and the investment of discount and short-term deposits in nonliquid assets.

In so far as the Wingfield Group itself was concerned, the Nevada Legislature appointed a legislative committee to make an investigation to determine the particular causes of failure.[31] Reasons for the failure of the Wingfield banks were declared by the legislative committee to be the following: [32]

1. A lack of evidence of "good, sound" investigation by the Superintendent of Banks of securities behind loans to ranchers and farmers.

2. Loans were secured by chattel property, which, according to the Banking Act of 1911, as revised, was illegal.

[30] *Appendix to Journals of Senate and Assembly, 1935*, "Report of the State Superintendent of Banks" (Carson City, Nevada, 1935), I, 2–3.

[31] A news item in the *Reno Evening Gazette*, 13 March 1933.

[32] *Ibid.*

3. The Superintendent of Banks had apparently overlooked, in many cases, the regulations pertaining to the investment of saving deposit funds.

4. Loan extensions had been made to farmers and ranchers in 1930 and 1931 without additional security requirements.

5. The Superintendent of Banks had evidently failed to evaluate the condition of the Wingfield banks accurately, for one reason or another, thus allowing those banks to remain open until the time when depositors began to withdraw their deposits.

While this investigation was in progress, it was known that A. P. Giannini had been negotiating for the entrance of the TransAmerica Corporation into Nevada banking.[33] With headlines of the lead article in the *Reno Evening Gazette*[34] reading, "TransAmerica Enters Reno Field with Purchase of the First National Bank from Stockholders," the third leader in the course of Nevada banking history had made its appearance on the scene.

The First National Bank of Nevada Group

Since 1934 the Nevada economy has evidenced strong signs of growth and development. Population increased from 91,058 in 1930 to 160,083 in 1950.[35] Income payments to individuals in Nevada increased from $92,000,000 in 1940 to $300,000,000 in 1950[36] – a significant increase notwithstanding the inflationary trend which characterized the period. By 1934 the Nevada economy evolved from an economy primarily dependent upon mining and agriculture to one which has since relied most heavily upon the trade and service industries. The development of the Nevada economy during the period 1934–1950 was accompanied by corresponding evidences of growth in the banking structure.

At the time of TransAmerica's purchase of the First National Bank in Reno (the parent bank of the Wingfield Group) the latter had eight established branches in the important trade centers

[33] A news item in the *Reno Evening Gazette*, 28 Feb. 1934.

[34] *Ibid.*

[35] U. S. Bureau of the Census, *U. S. Census of Population: 1950.* Vol. I, *Number of Inhabitants*, Chapter 28: Nevada (Washington, U. S. Government Printing Office, 1951).

[36] State of Nevada Employment Security Department, *Unemployment Compensation Benefit Financing* (Carson City, Nevada, 1953), p. 38, as cited from the U. S. Department of Commerce, *Survey of Current Business*, Aug., 1952, p. 16.

throughout Nevada. In September, 1937, the name of the First National Bank in Reno was changed to the First National Bank of Nevada and, at this time, two additional branches were put into operation. By 1950, the addition of three new branches brought the total number of branches to 13. At this point in time, the First National Bank of Nevada was firmly established in the field with seven other Nevada banks, four of which were operating under national charters and three under state charters. Of the three state banks formally classified as independent, two were subject to the financial and managerial control of the First National Bank of Nevada.

By 1950 the financial dominance of the First National Bank of Nevada was well-established. As in the case of the Wingfield Group analysis, total deposits, paid-in capital, and assets and liabilities were used as a basis for measuring the degree of financial power exercised by the First National Bank of Nevada. This organization, as indicated in Table 2, accounted for 77.2 per cent of total deposits of all Nevada banks in 1950, 72.5 per cent of all paid-in capital, and 77.5 per cent of all assets and liabilities. Operating units of the First National Bank of Nevada were, as in the case of banks in the Wingfield Group, well-distributed throughout the major markets for

TABLE 2

THE PERCENTAGE OF TOTAL DEPOSITS, PAID-IN CAPITAL, AND ASSETS AND LIABILITIES HELD BY THE FIRST NATIONAL BANK OF NEVADA IN 1950

Institutional Classification of First National Units	Per Cent of Total Deposits of all Banks	Per Cent of Total Paid-In Capital of all Banks	Per Cent of Total Assets and Liabilities of all Banks
State Banks [a]	46.6	41.4	47.2
National Banks [b]	84.3	82.8	84.6
State and National Banks	77.2	72.5	77.5

Percentages derived from data obtained from the following references:
[a] *Appendix to Journals of Senate and Assembly, 1951* (Carson City, Nevada, 1951), I, 7–12.
[b] *Individual Statements of Condition of National Banks* for the year 1950 as compiled by the Comptroller of the Currency (Washington, U. S. Government Printing Office), p. 298.

banking services in Nevada. It is interesting to note that this new banking power in Nevada had completely dominated the Las Vegas market by 1950, one which the Wingfield Group had not been able to penetrate. Las Vegas had grown from a population of 5,952 in

1930 to 24,624 in 1950,[37] thus making it a significant (second only to Reno) market for the First National Bank of Nevada to cultivate.

It is evident from the foregoing data that the First National Bank of Nevada controls a high percentage of the market for banking service in Nevada. The only other entity which competes, to any significant degree, with this bank is the Nevada Bank of Commerce. In 1950, the latter accounted for only 10.0 per cent of total deposits of all Nevada banks, 14.6 per cent of all paid-in capital, and 9.8 per cent of total assets and liabilities.[38]

Primary factors responsible for this concentration of banking power are readily recognizable. The First National Bank of Nevada inherited the markets and facilities of the once powerful Wingfield Group. Policies of this new organization have reflected the experience and competitive spirit of its highly successful parent, the TransAmerica Corporation. As a result, Nevadans have enjoyed good banking services wherever in the state banking service has been demanded. Under these conditions it is not surprising that the First National Bank of Nevada has grown to its present proportions. This is especially true in view of the fact that it has operated in the absence of competition from any organization of equivalent resources.

On the basis of its operating policies at the present and in the past, there is little reason to believe that the First National Bank of Nevada has acted in a monopolistic manner. The validity of this statement is supported by the fact that the First National Bank of Nevada has always supplied its market with credit and other banking services at competitive rates, and with quantities of credit limited only by the requirements of sound banking practice. This institution initiated the practice of granting installment loans in Nevada, another indication of its willingness to serve the market in a competitive manner.[39] It seems clear that the First National Bank of Nevada has not deliberately or overtly restricted the entry of new, independent institutions. As a result of its domination of the market (especially in Reno and Las Vegas), however, entry into the field may have been discouraged.

[37] U. S. Bureau of the Census, *U. S. Census of Population: 1950*, Vol. II, *Characteristics of Population*, Part 28, Nevada, Chapter B (Washington, U. S. Government Printing Office, 1952), pp. 11, 32.

[38] Derived from *Individual Statements of Condition of National Banks* for the year 1950 as compiled by the Comptroller of the Currency (Washington, U.S. Government Printing Office), p. 298.

[39] A personal interview with Grant L. Robinson, Superintendent of Banks, State of Nevada, on 17 Sept. 1953.

It is evident, from historical analysis of the three interests which wielded such great power throughout the span of Nevada banking history, that only one — the Bank of California — used its position to the detriment of the society which it served. The two succeeding organizations, the Wingfield Group and the First National Bank of Nevada, were monopolistic in terms of size, but not in terms of behavior. These two organizations have assumed the responsibility of supplying their markets with satisfactory banking services in the absence of what can be considered a normal degree of competition.

At all times in Nevada history, the principle of free banking has prevailed, thus enabling any qualified person or group of persons to enter the field. It is quite evident, however, that the Wingfield Group and the First National Bank of Nevada succeeded in saturating the various markets for banking services in Nevada to the point where long-run profit expectations have tended to discourage the entry of new independents. If one could assume that the Nevada economy is mature in the sense that few new markets for banking service will be created in the future, the existing concentration of banking power is likely not to be weakened. In view of the more reasonable assumption, however, that the existing markets for banking service will continue to grow in the future, it is equally questionable if independent interests will react to the new opportunity with the speed and efficiency with which the First National Bank of Nevada is known to be capable of acting. This opinion is sustained by the fact that the First National Bank of Nevada has been eminently successful, in recent years, in establishing new operating units in existing markets which have expanded sufficiently to support such service. Since 1950, for example, the First National Bank of Nevada has established the vast majority of all new operating units in the expanding markets in Reno, Las Vegas, and elsewhere.

Perhaps the most important single factor responsible for the concentration of banking power throughout the entire span of Nevada history concerns the size of the market for banking services in that state. Nevada, the sixth largest state in terms of land area and the least densely populated in the Union, has never constituted a large market for banking service, or any product produced for domestic consumption. When one considers the application of the economies of scale in the production of banking services, it is logical to conclude that there may very well not have been room for

more than one well-developed or mature banking organization in that market. This economic condition, rather than the conscious plans of activities of the bank enterprisers themselves, appears to have been largely responsible for the lack of rigorous competition which has characterized banking in the history of Nevada.

A SPECIAL BHR FEATURE

WITNESS

TO

HISTORY

From time to time the *Business History Review* will publish, as a special feature, eye witness accounts of significant historical episodes in business. Publication of these accounts does not imply endorsement by the Editorial Board of the statements or viewpoints presented by the authors. Only such editorial comment is provided as is necessary to establish the setting of the event described. Comments, suggestions for future articles, and manuscripts are invited.

I

ROOSEVELT and the STATE TRUST COMPANY

by

AVERY DELANO ANDREWS

FORMERLY BRIGADIER GENERAL
GENERAL STAFF, U. S. ARMY

BIOGRAPHICAL NOTE

Avery Delano Andrews was born at Massena, New York, on 4 April 1864. Graduating from West Point in 1886, he entered the Law School of Columbian University, studying law evenings and serving by day as Aide-de-Camp to Lieutenant General John M. Schofield, commanding general of the U. S. Army. In 1891 he received his LL.B. degree. A year later he graduated from New York Law School with a second LL.B. degree and an appointment as Prize Tutor. Thereafter he engaged in law practice as a member of the New York firm of Wells & Andrews, serving also as vice president and general counsel of the General Asphalt Company.

After three years (1889–1892) as Schofield's Aide-de-Camp, Andrews served as Major and Staff Engineer Officer in the New York National Guard. From 1895 to 1898 he held the position of treasurer and senior member of the Board of Police Commissioners of New York, of which Theodore Roosevelt was president. Then followed Spanish War duty as Lieutenant Colonel of Volunteers, on the staff of Major General James H. Wilson. In 1899 he was appointed Adjutant General of the State of New York and Chief of Staff to Governor Roosevelt.

In 1917 Andrews was commissioned Colonel in the U. S. Army Engineers and served in France in a succession of responsible posts which culminated, in 1918, in an appointment as Assistant Chief of Staff to General Pershing. At this time he was promoted to Brigadier General on the General Staff.

In the years following the First World War, Andrews served as American representative of the Royal Dutch Petroleum Company of Holland and the Shell Transport & Trading Company of London, as well as chairman and director of various subsidiary corporations. He organized and was an officer and director of the Shell Union Oil Corporation (today the Shell Oil Company) and also served as a director of the Irving Trust Company of New York, the Central-Penn National Bank of Philadelphia, and other companies until the early 1930's, when he gradually began to retire from active business.

General Andrews is author of My Friend and Classmate, John J. Pershing (*Military Service Publishing Co., 1939*).

By Avery D. Andrews
FORMERLY BRIGADIER GENERAL,
GENERAL STAFF, U. S. ARMY
WINTER PARK, FLORIDA

Theodore Roosevelt and the State Trust Company

The affair of the State Trust Company, which General Andrews recounts here, occurred in 1900, when trust companies were increasing in number and expanding so rapidly as to arouse current comment in financial journals. Since such companies were less stringently regulated by law than other types of banking houses, their rise was viewed with interest tinged in some quarters by alarm. The rumor of sharp practices in the State Trust Company found eager acceptance. There were those who wanted to make political hay immediately by claiming negligence on the part of the Superintendents of Banking and of Insurance, seeking thus — in an election year — the discomfiture of Theodore Roosevelt, Governor of New York. Others used the incident as a grim example when, during the next few years, muckraking became a popular journalistic sport.[1]

The State Trust Company had been organized in 1890. It was affiliated with the American Surety Company, and could handle investment business in which the insurance firm could not legally engage. In 1898 both companies came under the control of the group of financiers mentioned in this article. The trust company had continued to prosper, and in November of 1899 the State Bank Examiner had certified that it was in sound condition.

It was my good fortune, while holding public office as a young man, to serve for several years in close and intimate relations with Theodore Roosevelt. We met for the first time while serving together as members of the Board of Police Commissioners of New York, of which he was president and I was treasurer. It was his courageous, nonpartisan, and highly efficient service as a reform

[1] The episode of the State Trust investigation is variously discussed in the following references:
Mark D. Hirsch, *William C. Whitney* (New York, 1948), pp. 552–53.
Philip C. Jessup, *Elihu Root* (New York, 1938), I, 188–90.
Elting E. Morison, editor, *The Letters of Theodore Roosevelt* (Cambridge, Massachusetts, 1951), II, 1131, note.
Charles Edward Russell, *Lawless Wealth: The Origin of Some Great American Fortunes* (New York, 1908), pp. 112–23.

police commissioner which first brought him conspicuously before the entire nation. A little later, after the Spanish War in which we both served, Roosevelt was elected Governor of New York, and appointed me Adjutant General of the State and his Chief of Staff. Roosevelt was only a few years older than I, and those years of hard work and intimate association resulted in a friendship which lasted throughout his life.

After nearly five years of public service, most of which was spent in close and friendly association with Roosevelt, I decided to retire. Accordingly, I resigned as Adjutant General on January 1, 1900. On January 11, ten days later, I received from Albany the following telegram, signed Theodore Roosevelt:

"MEET ME AT FIFTH AVENUE HOTEL AT SEVEN O'CLOCK TONIGHT AND WAIT UNTIL I COME."

Later in the day, he called me on the long distance telephone, then not such a commonplace occurrence as it is today, and said that he found it impossible to leave Albany in time to see me that evening, and that he would send to New York in his place his secretary, Hon. William J. Youngs, familiarly known to many as "Billy" Youngs. He said further that he wanted me to undertake for him a very urgent and confidential matter of great importance, the nature of which he could not even hint over the telephone; that he must have the immediate assistance of someone upon whose loyalty and discretion he could depend, and urged, almost insisted, that I agree at once to act for him. While puzzled by his insistence and the air of mystery and haste, it was a call which could not be refused and I promptly accepted. He then asked me to engage rooms at the Holland House and to meet Youngs there on the arrival of the next train from Albany; that Youngs would have his instructions and his full authority.

When Youngs arrived in the evening he explained that serious and definite charges had been made, by some of its stockholders, as to the financial condition of the State Trust Company; and particularly that the bank had made large and illegal loans upon doubtful security to an extent which impaired its capital; that these conditions were well-known to the banking department of the state, and that it had taken no action to correct them; that there was a real danger of runs upon the bank, with the possibility of runs upon other banks and serious financial disturbances.*

*EDITOR'S NOTE: See "The Electric Vehicle Company," by John B. Rae, page 303.

A New York lawyer of some prominence, himself a stockholder in the bank, accompanied Youngs and claimed to represent a group of stockholders. He presented a sworn petition containing complete details of several large loans which he claimed were illegal and not properly secured. The State Trust Company was located at 100 Broadway, and was controlled by a group of financiers who were then prominent in local traction affairs, including Mr. Thomas F. Ryan, Hon. William C. Whitney who had been Secretary of the Navy in Mr. Cleveland's cabinet, Mr. P. A. B. Widener of Philadelphia, and several others. The petitioners certainly had in their possession a great deal of detailed information concerning the bank's loans, most of which was quite accurate, and all of which must have been furnished by someone having access to the books and records of the bank.

Youngs then handed me my appointment, duly executed by the Superintendent of Banks, as a Special Bank Examiner with broad powers, and the sworn petition of the complaining stockholders, with the Governor's request that I proceed early the next morning to the office of the State Trust Company and make a thorough examination of its affairs; that I had the Governor's full authority to act as I thought best to protect the depositors and stockholders; that if I found the bank insolvent or unable to promptly meet its obligations, I was authorized to close it at once; and that my action, whatever it was, must be prompt and discreet, with a view of avoiding unnecessary alarm or loss to the public.

The Governor, later, explained to me his reasons for excluding his own banking superintendent from any participation in this affair, or even knowledge of his plans. Briefly, he felt that if conditions were as charged, the banking department had been remiss, and could not be trusted to act promptly and effectively in this emergency. On the other hand, if the charges were unfounded, he would then have the benefit of an impartial and independent examination which would fortify the position of his own banking department in a controversy which was certain to become public. Therefore, without referring to the State Trust Company, or to his plans, the Governor sent for his Superintendent of Banks and instructed him to execute and deliver to the Governor a printed form for the appointment of a Special Bank Examiner, which, except for the signature of the Superintendent, was to be entirely in blank. Under the law, bank examiners are appointed by the Superintendent of Banks only; but the Governor appoints and removes bank superintendents and could very quickly appoint a new superintendent. Hence while

there was a measure of surprise at this unusual procedure, there was no delay in securing the necessary blank appointment. The whole proceeding was characteristically prompt, direct and secret. With this blank appointment in his possession the Governor caused my name and other necessary data to be filled in, and then proceeded as already stated.

Armed with this authority and accompanied by a confidential stenographer of my own selection and an accountant recommended by the petitioner, I went to the office of the State Trust Company early on the following morning, before the usual opening hour, and proceeded with my examination. Late in the afternoon I was satisfied that, while numerous irregularities existed, including one loan which was greatly in excess of the amount which could be legally made by the bank and which was also illegal because made indirectly to and for the benefit of two directors, the bank, nevertheless, was solvent, and able to meet demands upon it.

I at once reported the facts to the Governor by telephone, stating that in my judgment no summary action, such as closing the bank, was necessary or advisable; that I would promptly submit to him a complete report in writing recommending that the bank be required to correct all irregularities at once, and that in fact the bank's officers whom I had consulted were already doing so. The Governor approved my action and recommendations, thanking me cordially for what I had done.

Up to this point the entire matter had been kept secret as the Governor desired. But when I refused to close the bank, the lawyer for the complainants made the most violent protests, even stopping me on the street when I was leaving the bank to press his demands. Having failed to rush the Governor into closing the bank, the complainants now brought their attack into the open against both Roosevelt and the bank, and proceeded to press their charges vigorously through the press and through political channels hostile to Governor Roosevelt. Assuming that my report had whitewashed the bank, the opposition vociferously demanded, through the press and political sources, that it be made public. As the legislature was then in session, an unsuccessful effort was made to enact a resolution requesting the Governor to furnish the legislature with a copy of my report. To all of these demands the Governor refused compliance upon the ground that the institution had been proved solvent, its depositors and stockholders protected, the irregularities had been or were in process of being corrected, and that the public interest could be best served by considering the incident closed.

It seemed probable that the attack on the State Trust Company was more or less connected with certain other financial quarrels into which Roosevelt was careful not to be drawn. However this may be, much has been said and written as to the supposed impulsive actions of Theodore Roosevelt. In this case he refused to take any action until he had made an impartial examination of the facts, and as charges had been made against his own banking superintendent, he sought an entirely independent examination. Finally, when all the facts were before him, he acted with promptness and vigor. He avoided taking part in any financial quarrels, and when the interests of the depositors and shareholders were protected, he very properly considered the matter closed.

But the attack continued both in the newspapers and through political channels, and now involved the Governor himself, quite as much as it did the State Trust Company. Of particular interest to the public was a loan of two million dollars made to a young man in Mr. Thomas F. Ryan's office, commonly described as his "office boy." Two million dollars was quite a sum of money in those days, although small change in these days of billions. This loan was the worst item in the loan account, and was the chief object of attack. It had never been approved by the board of directors nor even by the executive committee; it was much larger than allowed by law, and was participated in by two of the bank's directors, including a member of the executive committee. Upon my demand, the two directors at once paid in full their portion of the loan, and the irregularities with respect to this and other loans were promptly corrected; but the story of the "office boy" who borrowed two million dollars caught the attention of the public and was made much of in the press as the news sensation of the moment.

After the excitement was over and State Trust affairs ceased to be front page news, I showed a copy of my report to Mr. William C. Whitney and Mr. Peter Widener at the former's apartment in the old Waldorf. They both said the report, while severe in its criticisms, was eminently just, and more favorable to the bank than they had expected; that they did not personally know or approve of many of the reported irregularities, and that had they known of the real nature of my report they would have been the first to insist upon its being made public, instead of vigorously opposing its publication as they had done.

Upon submitting my written report to the Governor, I received from him the following letter, dated Albany, New York, January 15, 1900:

My dear Andrews:

I thank you most cordially for the report. It is admirably done and I want again to congratulate you most earnestly upon the thoroughness and good judgment with which you did this exceedingly delicate and important bit of work. Can I see you at 422 Madison Ave., New York, at 3 P.M. next Saturday?

Faithfully yours,

Theodore Roosevelt

Naturally this attack and the extended discussion of its affairs did not improve the reputation or prestige of the State Trust Company, and after a time it was merged with another trust company and disappeared as a separate institution. At that time the venerable and highly respected Levi P. Morton, Vice President of the United States during the Harrison administration and later Governor of New York, was the head of the Morton Trust Company, a small bank which had been formed to take over the business of the old and well-established banking firm of Morton, Bliss & Co. It is said that Mr. Ryan, on behalf of the State Trust Company, went to Governor Morton and said to him: "Governor, you have a bank of the very highest standing and character but very little business; while I have a bank with plenty of business but no character. Why not combine the two?"

Whether this story is historically accurate cannot now be affirmed; but it is a fact that about this time the two trust companies were merged and the "State Trust Company" disappeared from the financial scene in New York.

Many stories have been written about the State Trust affair, but neither my report, a copy of which now lies before me, nor the true story as here stated, has ever, as far as I am aware, been published.

BOOK REVIEWS

The Peaks of Lyell. By Geoffrey Blainey. Victoria, Australia, Melbourne University Press, 1954; New York, Cambridge University Press, 1955. Pp. x + 310. $5.00.

"This," the author states, "is the history of the Mt. Lyell Mining and Railway Company — the first, the last, and the dominant company on a great Australian copperfield," a Tasmanian company which for over 40 of the 56 years from 1898 to 1953 was also the leading Australian copper producer. The above will interest the student of economic and industrial history in general and of mining and Australian history in particular. The business historian will be particularly impressed by the prefatory statement: "To the best of my knowledge Mt. Lyell is the first company in Australia to make available all its records for historical research," and by the acknowledgment both of financial assistance and of freedom of interpretation.

"Most of the evidence . . . ," the author further states, "comes from the private records of the Mt. Lyell Company." Since they are "not open to public perusal," footnotes have been dispensed with. The bibliography, however, is carefully divided and subdivided according to periods and types of material and many items are individually described. The omission of specific references to company records can more easily be justified than the failure to footnote public sources. Word-of-mouth information obviously added color and life, but although such informants are listed their specific contributions are not indicated.

The Mt. Lyell copper field was, not unusually, a by-product of the quest for another mineral. The goldseekers who discovered Mt. Lyell in 1883 soon lost it to other somewhat more sophisticated prospectors, who in turn were forced in 1891 to sell a controlling interest to a group of mainland pastoralists who had struck it rich at Broken Hill, and whose American metallurgist encouraged their buying into Mt. Lyell for its copper — not its gold — prospects. The Broken Hill group and directors chosen by it have retained control of the successive Mt. Lyell companies ever since, although as early as 1902 the group owned less than 5 per cent of the stock.

The other important element in the present-day company was North Lyell, organized by a disgruntled member of the older investor group, which in 1903 participated fifty-fifty in the stock of the New Mt. Lyell Mining & Railway Company.

"What," the reader will ask, "were the chief factors in this company's success?" One, where prospecting is concerned, is always Luck. Another is Capital — usually forthcoming when Luck manifests itself. But these indispensable factors are by no means all-sufficient. Luck was obviously with North Lyell when in 1897, after an unscrupulous and successful propaganda campaign for raising capital in Britain, its roadbuilders accidentally discovered the richest mine in Tasmania! And yet North Lyell never paid an operating dividend. Mt. Lyell's ore, on the contrary, was comparatively poor and scanty, yet in 1897 its shares, which in 1892 had cost only 2s each, were selling at £16.10s.

The missing factor was Management. North Lyell, largely British-owned, was remotely and ineffectively controlled from London and its Australian man-

agement was inefficient or irresponsible. Mt. Lyell was directed from Melbourne, which was near enough to its mines and smelters that its directors, most of whom had a background of experience from Broken Hill, could keep in touch with operations. Mt. Lyell directors carried over from Broken Hill the policy of hiring highly trained and efficient metallurgists and managers, frequently American, and, generally speaking, backing them up in their proposals. Mt. Lyell's first permanent metallurgist, the German-American R. C. Sticht, between 1895 and 1902 introduced and developed the revolutionary principle of pyritic smelting, achieving great efficiency and economy, while at North Lyell the "toy smelters" of his opposite number — also an American, alas! — proved hopelessly inefficient.

The new amalgamated company inaugurated an era of expansion. Its capital and smelting ability enabled it gradually to absorb the 40 smaller companies in the field. It expanded vertically, through subsidiary companies and investments in related companies, into superphosphates and copper manufacturing. In 1914 it began to generate hydroelectric power at its Lake Margaret power station, the largest in Tasmania and possibly in Australia.

Social engineering was not neglected. Mt. Lyell's labor policy had consisted of paying generous wages and bonuses, fostering medical unions, and firing and blacklisting union agitators. A protracted strike in 1911 and a disastrous and possibly incendiary fire the following year scattered its miners and awakened Mine Manager (subsequently General Manager) R. M. Murray to a consciousness that experienced men were an essential but wasting asset. He persuaded a rather grudging board to institute a welfare program of low-cost housing, electricity, and provisions, and of subsidized recreation and education. Although Mt. Lyell has had its disputes, "for more than forty years there has been no general strike."

By 1919 the company was equipped to survive two serious international economic crises and to achieve large profits during more normal periods. Its rigorous program of economy and contraction during the early '20's was successful largely because of Murray's introduction of the more economical flotation method of smelting and by the agreement of its miners not only to increase output and decrease costs through Saturday work but even, because of the lowered living costs, to accept lower wages. Mt. Lyell's interests in fertilizer works and in Metal Manufactures, Ltd., helped to tide it over. By 1927 it was making large profits and was enabled to introduce improvements making for greater future economies. Through improved treating-methods and large-scale operations it was able to work extremely low-grade ore at a substantial profit. It was thus able to take the depression of the early '30's pretty much in stride.

Mt. Lyell has obviously owed its success largely to such metallurgists and managers as Sticht and Murray. Its directors, of course, deserve credit for their foresight and intelligence in selecting and supporting such able technologists. The board were more directly responsible not only for sound financing but also for the policy of vertical integration. They also displayed courage and faith by refusing in difficult periods to liquidate the company even when they could have recovered far more than the stock's market value.

Mt. Lyell's greatest weakness, seemingly, has been its failure until very recently to carry on any consistent program of exploration. "In this century," the author comments, "Mt. Lyell has simply lived on the discoveries of the previous century."

The author's chief interests are company financing and mining and metallurgical methods. Organization, direction, and management, though not overlooked, are treated rather incidentally. The most remarkable virtual omission is marketing. The author, although by no means entirely uncritical, is occasionally — also understandably and excusably — a bit too much the company spokesman. The organization might in some respects be improved; some of the chapters are rather too much of a catch-all nature. The index, although useful, is inadequate as a guide to particular subjects or themes. These latter criticisms, however, are of a distinctly minor nature as compared with the volume's interest and value as a concise, clear, and colorful account of an important copper-mining company — a company whose experiences are of a significance which extends far beyond its operating environment.

KENNETH WIGGINS PORTER

University of Illinois

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Broadlooms and Businessmen: A History of the Bigelow-Sanford Carpet Company. By John S. Ewing and Nancy P. Norton. Cambridge, Harvard University Press, 1955. Pp. xx + 439. $9.00.

The present Bigelow-Sanford Carpet Company is the end product of a series of purchases, reorganizations, and mergers that began in the 1820's and by 1951 had involved a total of some 13 corporate or partnership entities. This history of the evolution of the present organization deserves a prominent place in the distinguished series of Harvard Studies in Business History. The book is well-written, beautifully illustrated, and generously supplied with tables, charts, and appendices.

The principal limitations of the study arise from two sources: one is the inadequacy of many of the records covering the firms and corporations involved; the other is self-imposed in that "the organization of the book . . . [is] . . . in terms of corporate and internal changes and not on the basis of industry-wide development, such as technological advances or shifts in marketing." (P. xviii.)

Within these limits the authors have done a remarkable job of piecing together data from a large variety of sources. Considerable information is made available about the business practices of the individual firms which became a part of the final merger. It is also possible to follow the principal steps of the central theme of the book which is to indicate the circumstances that prompted the various partnerships and corporations to join forces in the process that led to the present company. The interesting point is made that mergers and amalgamations were rare in the carpet industry and that the sequence under analysis was a result of particular circumstances affecting the various managements at critical points in their histories.

Without discounting the real achievement of organizing and illuminating this material, the decision to confine the treatment of the subject to changes that occurred within the constituent firms and corporations leaves much to be desired. The character of the data and the number of firms and individuals involved made it impossible to give a thoroughly adequate account of the forces involved by relying on internal evidence. Key individuals are discussed and information is made available about their personalities and business policies.

But the cast, introduced generally in "the order of their appearance," is large and discussion so limited that it is difficult to distinguish the stars from those who played supporting roles. Even more serious is the failure to place this discussion in the larger setting of what was happening in the industry and the economy. The business practices, financial management, and marketing policies followed by these various managements have little relevance, treated as they are largely in a vacuum. A major question as to how a company like Alexander Smith, for example, was able to do so well without resort to the purchase of or amalgamation with competitors, remains unanswered.

It is only when the authors on occasion do summarize developments against the industry background that the material begins to fall into proper perspective. But these infrequent departures from their self-imposed limitation indicate all the more clearly how much better the study would have been if it had included more on the industrial and business setting within which the companies under review operated.

HAROLD F. WILLIAMSON

Northwestern University

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The Road to Spindletop, Economic Change in Texas, 1875–1901. By Dr. John S. Spratt. Dallas, Southern Methodist University Press, 1955. Pp. 337. $5.00.

Dr. John S. Spratt has undertaken to describe the predominate economic trends in the State of Texas during the last quarter of the nineteenth century. In general his book seems, at least to this reviewer, to take the primary theses of Walter Prescott Webb and to correlate them with the pattern development of the economy of the state. In this respect, his efforts have not been unsuccessful.

The author immediately disclaims an attempt to write a definitive history of the economic growth of Texas during the period considered. Rather, his preoccupation has been simply with various trends demonstrating the progress of this frontier state from an economy of agricultural self-sufficiency to one of dependence upon cash crop commodities. He outlines the growth of cotton planting, the development of the railway system, the introduction of large-scale cattle ranching and finally of relatively small-scale farming, the development of which was concomitant with the large-scale immigration of farmers towards the end of the century. In addition to the purely economic phases of history, Dr. Spratt devotes considerable attention to the political developments of the era and their interrelationship with the former phenomena. The Grange movement, the Farmers' Alliance and the Populist revolt are well covered. Another chapter covers the early labor unions of the state, the most marked culmination of which was the Great Southwest Strike of 1886 on the Gould System. The failure of this strike was a body blow to unionization and delayed its coming for many decades.

The book ends with the identification of the discovery of the Spindletop Oil Field in 1901 as the logical end of the era. The author proposes to cover the period from Spindletop to the present in another work. The division seems logical.

Having outlined in a brief fashion the purport and content of Dr. Spratt's

book, it remains to determine its usefulness for the business historian. It must be stated at the outset that his was not an easy task. Texas is not a homogeneous area. From East to West, there are the piney woods area of Southeast Texas, the rolling area of the blackland belt, the Fort Worth basin, the high plains area to the Northwest and some exceptionally rugged mountain areas in the far West and the South Central areas, with, of course, the Gulf Coastal plain. Each of these areas have had widely divergent geographical and economic characteristics which necessarily determined the agricultural, industrial and transportation patterns within the region. The amount of business history and economic history which has been written pertinent to the State of Texas is extremely small. The reviewer respectfully submits that the lack of an adequate body of literature has greatly handicapped the author in the formulation of his conclusions. It would seem, for example, that the coastwise maritime trade of Texas has been of more importance than is credited to it in this book. I believe a study of the course of cotton clearances from the port of Galveston during the decade of the 1880's and reference to material on the Morgan Line of steamships might have resulted in a different set of conclusions. In early 1883, the Morgan Line had 17 coastwise iron steamers plying between New York, New Orleans, and Texas ports, in addition to numerous tugs and lighters. Furthermore, I feel that the famous Huntington-Gould agreement of 1882, by which the north half of the State of Texas was allotted to the Gould sphere of influence and the southern half became the domain of the Southern Pacific Lines was determined not only by considerations of violent competition in sparsely settled territory, but by the fact that each system would have had wildly expensive construction ahead of it. A Texas and Pacific entry from the East into San Diego seems most improbable to one who has ridden over the San Diego & Arizona Eastern Railway through the Carriso Gorge (completed in 1919). On the other hand, no more difficult construction could be found in a supposedly flat state than the main line of the Southern Pacific with the Pecos River Bridge, on which the last spike was driven in 1883, and the original approaches to this crossing, involving tunnels (so help me!) and helper service. No doubt Huntington was well aware of the costliness of this future construction. These matters, as far as I know, have never been brought forth in any good secondary work. Line location is certainly a paramount matter of executive decision and is a factor which invites reams of research in business history.

There are certain other omissions in Dr. Spratt's book, which, whether deliberate or of oversight, are noticeable. One is that no remark is made concerning the remarkable discovery and development of the quicksilver deposits in Brewster County, by far one of the most fascinating aspects of Texas economic history. Another is that while the author outlines the development of the coal mines in Palo Pinto and Thurber, Texas, he omits notice of the cannel coal deposits near Laredo which have been mined successfully for many years. Furthermore, he omits consideration of the vast lignite resources of Texas. Many fruitless and amusing attempts were made by the state itself and by the Gould railroads to utilize this intractable fuel. The Texas & Pacific experimented with one locomotive equipped for lignite firing, which was called "the snuff-dipper" by the unsympathetic shopmen who had to tender to her idiosyncrasies.

The totality of this work leads me to cite it as a perfect case history of what

both the business historian and economic historian have to offer each other. Dr. Spratt has pointed out a number of apparent trends of seeming validity which will be of the utmost value to anyone writing the history of a Texas firm. Furthermore, he has summed up concisely much of the work which has been done and pointed out the great amount of research still to be done, pertinent not only to the State of Texas but the entire Southwest. He disabuses the reader of many widely held incipient fallacies, for one, that cattle ranching was more important to the economic development of the state than cotton in the pre-petroleum era. One could scarcely take abrupt exception to his major theses. On the other hand, an adequate body of business history certainly could have saved a number of imperfect interpretations of fact. While cold economic formulae are interesting and have positively sensuous attractions to the researcher, they represent phenomena which are at best imperfectly understood. It remains for the business historian to explore the reaction of the entrepreneur to an apparent series of trends. With a series of basic studies in hand, I believe the day is much nearer for man to understand better his economic milieu.

EVERETT L. DEGOLYER, JR.

Dallas, Texas

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Edwin D. Morgan, 1811–1883; Merchant in Politics. By James A. Rawley. New York, Columbia University Press, 1955. Pp. 321. $5.00.

It is unfortunate that the social pressures of book reviewing demand that when a reviewer reads a book (which, of course, not all reviewers do), he keep in mind the audience which reads this particular journal he is reviewing for, remind himself of the purpose of the journal, and then tot up wherein that book falls short of the audience and the suspected purpose of the journal and make a list of its failings.

Because there are forever appearing good books that don't quite fit the local ground rules. *Edwin D. Morgan* is one of those. Frankly, I enjoyed it. I respect it. It is sober, it is informational, it is reasonably paced, it eschews frills, it does what I surmise its author intended for it to do — it gives a good personal picture of a nineteenth-century merchant prince who as he grew older preferred politics to the marketplace. I like the book.

Having said all that, under the rules I must perforce add that it is not a business history, as if that damns or dismisses it. E. D. Morgan was a man of parts, and business was only one of the parts, albeit a highly successful part. But the reader who wishes to learn the historical lessons of administration won't find much here. He won't even be properly warned against the evils of speculation, for Morgan was a somewhat daring speculator who invariably saw his speculations pay off.

Instead the reader will get the equivalent of about four narrative essays on how a young New England commission merchant, with only the slightest of boosts from relatives, rose to be one of New York's most successful merchant princes and of how he branched from that into larger finance; of how he came to identify, in the author's words, "business interest with public interest"; and of how, specifically, he tried to make going railroads out of, first, the Hudson River Railroad Company in its pre-Vanderbilt days, and then the Erie, after it had suffered from Jay Gould's predatory touch. With business interests that

encompassed South America and China as well as the United States, Morgan managed to be wholesaler, shipowner, railroad promoter, land speculator, utilities magnate, banker, and insurance investor, and to utilize each facet of his career to enlarge his personal fortune. All of this he did without social ostentation and without being touched by scandal, which in his period was no small feat.

Because he was a businessman of integrity, mixed with success, he was respected in political circles. Because for three decades he was also a politician of integrity, again mixed with considerable success, he was respected in business circles. When Morgan the Governor of New York moved in on Erie, the public, which might not know Morgan the merchant, could gain reassurance from the fact that the Erie was now in the hands of a man who seemed to know how to organize in the interests of the larger number.

Although it is axiomatic that a man can't combine two careers, Morgan at least came close. He was one of the upstart Republican Party's founders, its first National Chairman, and its fund-raiser for twelve years; and no space need be spent on detailing the electoral success of that remarkable organization for the next quarter-century. He was a governor and a United States senator, he could have been Secretary of the Treasury or an ambassador, and he remained from Lincoln through Arthur — from the first Republican President to the last in the unbroken succession — a confidant of Presidents. Even the irascible Andrew Johnson, whose impeachment conviction Morgan voted for, never felt any malice toward him, but later remarked that if Morgan's negative vote had been necessary to keep Johnson in office, he felt sure that the New Yorker would have changed his vote for conviction to keep the President in office.

Edwin D. Morgan was a man who was overdue a good biography. That due bill has here been met.

JOE B. FRANTZ

The University of Texas

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The Barley and the Stream: The Molson Story. By Merrill Denison. Toronto, McClelland and Stewart Limited, 1955. Pp. xiv + 384.

Of all the business firms of eighteenth-century Montreal, only three are still in existence today: the merchant-tailors Gibb and Company, the *Gazette* newspaper (both founded in 1775), and the Molson Brewery established in 1786. With almost a century and three-quarters of unbroken continuity of ownership and location, this business has been intimately associated with most of the major events that have transformed Montreal from a colonial outpost to a twentieth-century metropolis. But this is much more than just the story of one of the oldest important manufacturing enterprises on the North American continent. Above all it is the record of a distinguished family that has been exceptionally active in the economic life of a city and a nation. Though the original basis of the first John Molson's (1763–1836) fortune was brewing, he and his sons soon entered upon other important economic adventures. Not long after the elder Molson produced his first beer at St. Mary's Current in Montreal Harbor in 1786, the Molsons enlarged their interests to include manufacturing, industry, finance, transportation, and a wide variety of public activities and

philanthropic services. As a result of longevity and participation in many significant endeavors, the history of this family constitutes a significant and highly absorbing contribution to Canadian business and economic history.

Well-organized and skillfully written, this book is the result of diligent research in the extensive records of the Molson Brewery. The story is told primarily in terms of personalities, but it is carefully set against the broad background of Canada's economic emergence from colonial dependency to national sovereignty. As such, it contributes numerous interesting details (quite often of real importance) on such diverse subjects as steamboat navigation on the St. Lawrence, early banking practices, the spread of the Industrial Revolution to Canada, the technology of brewing and distilling, and the exchange of ideas between the elder John Molson, Robert Fulton, James Watt, and other early industrial leaders. Scholars and other serious readers will regret the lack of footnotes, bibliography, or other critical analysis of what appears to be a highly important private collection of business manuscripts. While this work was not written primarily for such a limited audience, it is nonetheless a pity that Mr. Denison and his research associate, Mr. Léon Trépanier, should deprive this group of their knowledge of this unique collection, especially since it sheds so much new light on so many important subjects. Economic and business historians may also find that this study is more descriptive than analytical, somewhat weak in appraising entrepreneurial policies and decisions, and not always thorough in evaluating the diverse business activities of five generations of Molsons. These criticisms may be minor; certainly they are not meant to detract from a well-executed job. They are aimed only to indicate that there is much more business history in the Molson story than is told here. Most readers, however, will find this to be an interesting, objective, and sound history of an important Canadian entrepreneurial family.

VINCENT P. CAROSSO

New York University

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Labor: Free and Slave. By Bernard Mandel. New York, Associated Authors, 1955. Pp. 256.

In several repects this reads like an old book, not a new one. Its interpretation of the struggle between North and South before 1860 is that popularized by the Beards twenty-five years ago. Its view of labor's relation to the antislavery movement looks further back to Herman Schlueter. Its conception of the ante-bellum South goes back still further to the abolitionists, for the "lords of the lash," "landed aristocracy," "contempt for labor," "slaveholders born to command and trained to ride their saddled underlings," are all here, as they were in the tracts of the abolitionists. More serious in a work purporting to be a study in economic history is the description of the southern economy as "an old, decadent slave system." (P. 111.) The profits of slavery and the functioning of the ante-bellum southern economy need to be described and understood in terms of a highly commercialized agriculture, not in the conventional, specialized nomenclature derived from the economic experience of Europe.

But the fact that a book's frame of reference is dubious and somewhat hackneyed need not necessarily vitiate its evidence. Unfortunately, however, it often leads, as with the case here, to the collection of inadequate data. Start-

ing out with the avowed purpose of showing the relationship between the growing labor movement and the antislavery crusade, Dr. Mandel makes it clear where he stands. Labor's "interest," he writes on p. 26, "demanded the abolition of slavery and the overthrow of the slave power as a condition for its future advancement." The means — the accumulation of newspaper items — whereby he undertakes to prove that labor recognized its interest, is not only unimaginative, but inadequate to the task, diligent as his research has been. Equating a series of quotations and newspaper squibs with the opinion of a class is, at best, a dubious methodological procedure, but when the data are scattered and fugitive, it is nothing less than a leap of faith. After a hundred pages of evidence for the period before 1845, he candidly admits the paucity and therefore the unrepresentative character of his data:

> One can turn the pages of a large number of the workingmen's newspapers, issue after issue and year after year during the 1830's and early 1840's, and scarcely be aware of the existence of slavery. (P. 113.)

Once the antislavery issue begins to assume significant political form, as it does in the 1850's with the rise of the Republican Party, there is no longer any excuse for continuing to employ the newspaper-squib method exclusively. For what we really want to know is how representative were the editorials and labor leaders' statements, and how effective were Republican politicians' appeals for labor votes. Unfortunately, it is just at this point that Dr. Mandel resorts to the broad, unsupported generalization. In regard to the crucial election of 1860, for example, we are told, not convinced, "that the majority of the Northern workers, with the exception of the Irish, voted the Republican ticket." (P. 166.) No quantitative analysis offered. Yet in just that election (and that of 1856, too) lay Dr. Mandel's opportunity. He could have made a significant contribution to historical research by analyzing the working class vote in various urban centers, thereby determining, in much more precise fashion, whether labor did or did not support Lincoln. It is clear to this reviewer that workers in New York City, at least — and they ran into the thousands in 1860 — did not vote Republican; they remained where they had always been, within the Democratic fold. And certainly Dr. Mandel offers no evidence to convince us to the contrary for any other industrial city of the nation. (On page 134 he attempts another quantitative judgment of equal significance, and again without a scintilla of evidence, when he writes: "A large number of workers never shed" the fear of Negro competition, "but many more came to feel" that the competition of slavery transcended the "danger of competition with free Negroes.")

Dr. Mandel writes with a bold and forthright pen; he does not keep his likes and loves under a bushel. It is clear, for example, that Labor is Good. So good that its part in the Draft Riots has to be extenuated by the remark that "the majority of the workers were not responsible for the riots" — and who imagined they were? The Mephistopheles of the book, on the other hand, is the slave-power, limned in heavy-handed crayon reminiscent of the abolitionist stereotype. In a scholarly work of this sort there is no place for such naive and doctrinaire bias as he displays in regard to both labor and slavery.

It is to be regretted that the earnest, expert research and downright hard work which Dr. Mandel has obviously put into this volume has to be unre-

quited by the conclusions he draws from them. For it is true that he has examined a mass of source material — particularly labor newspapers — and found much interesting and hitherto unreported information, at least as far as this reviewer knows. His chapter on southern labor leaders' views on slavery, for instance, is particularly recommended. And as an essay in the ideas current among some labor leaders affected by the antislavery movement, this book is interesting and informative. But as a study of class attitudes it remains where it begins, a book with a thesis to be proved.

Carl N. Degler

Vassar College

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Nathan Trotter: Philadelphia Merchant, 1787–1853. By Elva Tooker. Cambridge, Harvard University Press, 1955. Pp. xvii + 276. $6.00.

Despite Miss Elva Tooker's modest disclaimer in her preface that she was but "fashioning a future footnote in business and economic history," her undertaking was ambitious. Guided at the start by Professor Edwin F. Gay, she began in the early 1930's a detailed examination of the "1100 volumes of bound material and nearly 200 boxes of miscellaneous items" that comprise the papers of Nathan Trotter and Company of Philadelphia, now on deposit at the Baker Library, Harvard University. The work was laborious — "summers of sheer drudgery . . . spent in reading hundreds of thousands of letters and computing many statistical series" — but the result is admirable. She has brought to her work not merely persistence, as she says, but also that prime requisite of biographers, the ability to relate the individual career to general historical developments. She has analyzed and presented the numberless and complicated transactions of a locally prominent but unrenowned individual so as to deepen one's understanding of the process by which America became an industrial nation.

She could not have chosen a more austere, a less romantic or less glamorous subject. From beginning to end Nathan Trotter was the soul of caution and conservatism. Frugal in his personal life, living far below his means (his average yearly family expenses from 1815 to 1852 were $2,133.87), he attained his wish "to confine ourselves to a snug safe business within our management." He bought and sold carefully, "wrote off generous amounts for possible losses, put ample sums in the contingent fund, and scaled down the value of inventories and securities." He paid cash whenever possible (which was most of the time), and averaged 7 to 14 per cent profit on sales and investments. He died possessed of a personal fortune of just under a million dollars. His success, solid, sure, and unspectacular at every step, was the result of intelligent care and caution in exploiting a small, rich acre of the fertile American economy. It is in fact the modesty of his undertakings, the normalcy of his risk-taking, that makes him important for the business historian.

Trotter's business career lasted a full half-century. The son of a Philadelphia Quaker chair and cabinetmaker he entered a small Philadelphia firm of general importers as assistant to his brother in 1803. Twelve years later he took over full control of the business and directed it until his death in 1853. In the early years the firm imported a variety of leather, cloth, and metal goods, mainly from England, which it sold to retailers in the Philadelphia area. The

first major change in the firm's history resulted from the embargoes preceding the War of 1812 and the tariffs that followed. After 1815 Trotter found it unprofitable to continue any but the metal importing as the new tariffs and the competition of American manufactures priced his imported cloth and leather goods out of the domestic market. Within the next two decades he found that American metal producers could supply him as readily and as cheaply as the English, and importation became only one among several forms of procurement. In this way, his business changed from general importation to that of a merchant (never a broker) specializing in semimanufactured metals, which he supplied to handicraftsmen and manufacturers "in the period when the United States was changing from the handicraft to factory stage of production."

But his career did not end there. His strategic economic location, his careful purchasing and sales policies, and the low level of his expenditures resulted in growing capital accumulation. Viewing idle funds with dismay, he sought investments that satisfied his demands. He found them in two ways. First, he succeeded to the role of financier of the expanding American economy once occupied by English commission merchants by buying metals for cash discounts and extending long credits to his manufacturing customers. Secondly, he found increasing satisfaction in discounting commercial paper. Accepting secured notes at discounts, he was able to provide commercial banking services which the banks themselves were unable or unwilling to supply. Commercial paper discounting became his main concern towards the end of his life; at his death his investments in notes receivable amounted to over half a million dollars. And it was profitable: "It had taken him thirty years as a merchant and investor to make \$350,000. It would take but thirteen as a commercial-paper specialist to gain an additional \$600,000."

Miss Tooker describes these developments in Trotter's business career plus his real estate and stock investments with lavish detail. Charts and tables, painstakingly compiled from the company's ledgers, illustrate the main points of discussion. Wherever necessary the author has provided background explanations of the technical problems of merchandising, metals manufacturing, and financing.

"After years of reading the merchant's letters and his personal comments in his account books," Miss Tooker writes in her preface, "I found myself thinking about his problems in the selfsame words he would have used under the circumstances. . . . The style of the manuscript is not so much mine as Nathan Trotter's." It is true that the prose is flat and businesslike, but the Trotter records are so full and Miss Tooker's analysis of them is so careful that the reader is brought into remarkable intimacy with the inner workings of economic change. Grand and threadbare phrases — "industrial revolution," "tariff policy," — are reduced to specific problems demanding daily decisions from a patient, wary Philadelphia Quaker. Trotter did not desire change; in fact, unlike aggressive operators such as his friend Anson Phelps, founder of Phelps, Dodge and Co., he resisted innovation, clinging to the security and status of an eighteenth-century merchant. He rarely created opportunities and did not lunge at them when they appeared. But he was shrewd enough to compromise profitably with the new demands of business success. The thousands of transactions recorded in his ledgers and correspondence as analyzed by the author form a slow-motion portrayal of one phase of the industrial revolution.

Miss Tooker, who "in the midst of the task, often asked [herself] how to justify spending time in this fashion" has written an important book. It is valuable both for those interested in the evolution of American business practices and for those concerned with the problems of economic growth. Much more could have been said about the social aspects of Trotter's career, and indeed one would welcome an essay on this subject by the author. But even on this topic she has presented suggestive material. Her book repays careful study with profits that might have seemed scandalous to Nathan Trotter.

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